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STANDING COMMITTEE

on

PUBLIC ACCOUNTS

Chairman: Mr. L. Philippe Picard.

Vice-Chairman: Mr. D. A. Croll.

and

Messrs.

Anderson,
Ashbourne,
Balcer,
Beaudry,
Benidickson,
Beyerstein,
Blue,
Boisvert,
Boivin,
Brisson,
Browne (*St. John's
West*),
Campney
Cauchon,
Cavers,
Cleaver,
Cloutier,
Croll,

Cruikshank,
Denis,
Drew,
Fleming,
Fournier (*Maisonneuve-
Rosemont*),
Fraser,
Fulford,
Fulton,
Gauthier (*Portneuf*),
Helme,
Homuth,
Johnston,
Kirk (*Antigonish-
Guysborough*),
Kirk (*Digby-Yarmouth*),
Larson,
Macdonnell (*Green-
wood*),

Major,
Maltais,
Maybank,
Nowlan,
Picard,
Pinard,
Richard (*Gloucester*),
Richard (*Ottawa East*),
Riley,
Robinson,
Sinclair,
Stewart (*Winnipeg
North*),
Thatcher,
Warren,
Welbourn,
White (*Hastings-
Peterborough*),
Wright.

ANTOINE CHASSÉ

Clerk of the Committee

ORDERS OF REFERENCE

FRIDAY, 16th February, 1951.

RESOLVED,—That the following Members do compose the Standing Committee on Public Accounts: —

Messieurs:

Anderson,	Diefenbaker,	Maltais,
Ashbourne,	Drew,	Maybank,
Balcer,	Fleming,	Nowlan,
Beaudry,	Fournier (<i>Maisonneuve-</i>	Picard,
Benidickson,	<i>Rosemont</i>),	Pinard,
Beyerstein,	Fraser,	Richard (<i>Gloucester</i>),
Blue,	Fulford,	Richard (<i>Ottawa East</i>),
Boisvert,	Fulton,	Riley,
Boivin,	Gauthier (<i>Portneuf</i>),	Robinson,
Brisson,	Helme,	Sinclair,
Browne (<i>St. John's</i>	Homuth,	Stewart (<i>Winnipeg</i>
<i>West</i>),	Johnston,	<i>North</i>),
Cauchon,	Kirk (<i>Antigonish-</i>	Thatcher,
Cavers,	<i>Guysborough</i>),	Warren,
Cleaver,	Kirk (<i>Digby-Yarmouth</i>),	Welbourn,
Cloutier,	Larson,	White (<i>Hastings-</i>
Croll,	Macdonnell (<i>Green-</i>	<i>Peterborough</i>),
Cruickshank,	<i>wood</i>),	Winkler,
Denis,	Major,	Wright—50.

(Quorum, 15)

ORDERED,—That the Standing Committee on Public Accounts be empowered to examine and inquire into all such matters and things as may be referred to them by the House; and to report from time to time their observations and opinions thereon, with power to send for persons, papers and records.

MONDAY, 19th February, 1951.

ORDERED,—That the Public Accounts of Canada and the Report of the Auditor General for the fiscal year ended March 31, 1950, which were tabled in the House on Wednesday, January 31, 1951, be referred to the said Committee.

THURSDAY, 1st March, 1951.

ORDERED,—That the said Committee be granted leave to sit while the House is sitting.

That the said Committee be authorized to print from day to day 800 copies in English and 200 copies in French of its minutes of proceedings and evidence, and that Standing Order 64 be suspended in relation thereto.

FRIDAY, March 2, 1951.

ORDERED,—That the name of Mr. Fulton be substituted for that of Mr. Diefenbaker on the said Committee.

THURSDAY, March 8, 1951.

ORDERED,—That the name of Mr. Campney be substituted for that of Mr. Winkler on the said Committee.

Attest.

LEON J. RAYMOND,
Clerk of the House.

MINUTES OF PROCEEDINGS

HOUSE OF COMMONS, ROOM 497,
THURSDAY, March 1st, 1951.

The Standing Committee on Public Accounts met at 10.00 o'clock a.m. The Chairman, Mr. L.-Philippe Picard, presided.

Members present: Messrs. Anderson, Ashbourne, Benidickson, Boisvert, Boivin, Browne (*St. John's West*), Cauchon, Cavers, Cleaver, Croll, Cruickshank, Fournier (*Maisonneuve-Rosemont*), Fraser, Gauthier (*Portneuf*), Helme, Kirk (*Digby-Yarmouth*), Larson, Macdonnell (*Greenwood*), Major, Picard, Pinard, Robinson, Sinclair, Stewart (*Winnipeg North*), Thatcher, Warren, Winkler, Wright.

Mr. Thatcher, on a point of order, questioned the method of election of the chairman.

Whereupon Mr. Picard left the Chair and the Clerk of the Committee attended to the election of a chairman.

Mr. Cruickshank moved, seconded by Mr. Cauchon, that Mr. Picard be elected Chairman.

Mr. Thatcher moved, seconded by Mr. Wright, that Mr. Fraser be elected Chairman.

The question having been put on the motion of Mr. Cruickshank, it was resolved, on division, in the affirmative (Yeas, 15; Nays, 5.)

Mr. Picard again took the Chair.

On motion of Mr. Cauchon,
Resolved, That the Committee ask leave to sit while the House is sitting.

On motion of Mr. Major,
Resolved, That the Committee ask leave of the House to print from day to day 800 copies in English and 200 copies in French of its minutes of Proceedings and Evidence.

Mr. Stewart (*Winnipeg North*) moved that Mr. Thatcher be elected Vice-Chairman.

Mr. Larson moved that Mr. Croll be elected Vice-Chairman.

And the question having been put on the motion of Mr. Stewart it was, on division, resolved in the negative. (Yeas, 5; Nays, 17.)

And the question having been put on the motion of Mr. Larson it was unanimously resolved in the affirmative.

The Chairman read a letter, addressed to him, from Mr. Thatcher. (See verbatim printed report of today's proceedings.)

Mr. Croll moved that the Chairman proceed with the election of members to act with the Chairman as a steering sub-committee.

After some debate thereon and by leave of the Committee, the motion of Mr. Croll was withdrawn.

The Committee then discussed its program for future sittings.

On motion of Mr. Thatcher,

Resolved, That the Committee devote not more than five meetings to the study of the Auditor General's Report and thereafter proceed to the examination of Public Accounts of National Defence.

On motion of Mr. Wright,

Resolved, That the Chairman proceed forthwith with the selection of members to act with him as a steering sub-committee.

The Chairman informed the members that he would communicate with Mr. Watson Sellar and arrange for the latter's appearance at the next meeting of the Committee.

At 10.45 o'clock a.m., the Committee adjourned to the call of the Chair.

Room 430,

THURSDAY, March 8th, 1951.

The Committee met at 11.00 o'clock a.m. The Chairman, Mr. L.-Philippe Picard, presided.

Members present: Messrs. Ashbourne, Beyerstein, Blue, Boisvert, Brisson, Cauchon, Cavers, Cloutier, Croll, Cruickshank, Fraser, Fulton, Gauthier (*Port-neuf*), Helme, Johnston, Kirk (*Antigonish-Guysborough*), Kirk (*Digby-Yarmouth*), Larson, Macdonnell (*Greenwood*), Major, Maltais, Picard, Pinard, Richard (*Gloucester*), Riley, Sinclair, Stewart (*Winnipeg-North*), Thatcher, Welbourn, Winkler.

In attendance: Mr. Watson Sellar, C.M.G., Auditor-General.

In accordance with the resolution adopted at the meeting of March 1st, the Committee proceeded to an article by article study of the Auditor-General's Report for the year ending March 31st, 1950.

Mr. Watson Sellar was called. The witness was questioned on various clauses of his report.

At 1.00 o'clock p.m., the Committee adjourned to the call of the Chair.

ANTOINE CHASSÉ,

Clerk of the Committee.

REPORT TO THE HOUSE

THURSDAY, March 1, 1951.

The Standing Committee on Public Accounts begs leave to present the following as its

FIRST REPORT

Your Committee recommends:

1. That it be granted leave to sit while the House is sitting.
2. That it be authorized to print from day to day 800 copies in English and 200 copies in French of its minutes of proceedings and evidence, and that Standing Order 64 be suspended in relation thereto.

All of which is respectfully submitted.

L.-PHILIPPE PICARD,
Chairman.

ORGANIZATION MEETING

VERBATIM REPORT OF PROCEEDINGS

March 1, 1951.

The Committee met at 10 a.m.

The CHAIRMAN (Mr. Picard): Gentlemen, the meeting is open. I wish, first, to thank you for your renewed mark of confidence in me by re-electing me for the seventh time as chairman of the Public Accounts committee.

Mr. THATCHER: Mr. Chairman, on a point of order: I do not think the practice followed in the election of the chairman of standing committees is quite in accordance with Beauchesne. I think any committee should be permitted to elect its own chairman. Under the present practice there is a meeting of all the members of all the standing committees, and I do not think that practice is regular or comes within the rules. I am raising the point just as a matter of formality because I think the election should be held by the committee itself.

Mr. PICARD: Mr. Thatcher's point is quite proper because in fact the procedure that has been carried on in parliament for the last twenty-five years has not been strictly in accordance with the rules; but, as they say in the British house, precedence makes rules; and, inasmuch as for the last twenty-five years it has been the custom to send out notices to members of parliament to assemble so that they would elect at one time the chairmen of all the standing committees it would appear that the rule is pretty well established here. However, as Mr. Thatcher points out, we could not verify attendance at the general meeting to elect chairmen of the standing committees, the members are not registered as is the case at meetings of the individual committees; and so, as I say, we cannot verify whether or not there is indeed a quorum of a committee present; so, technically, Mr. Thatcher's point is well taken, and if there is any doubt about the propriety of the election held then it is a reflection, by the way, on all of us.

Mr. CRUICKSHANK: The government always names the chairmen of the standing committees.

The CHAIRMAN: That being the case I will then step down from the Chair and ask Mr. Chassé, the clerk of the committee, to attend so that nominations can be placed before the committee and a chairman elected in proper form. The members in attendance are registered and we have a quorum so I will step down and ask the clerk to take the Chair.

The CLERK: Nominations are in order, gentlemen.

Mr. CRUICKSHANK: Mr. Chassé, I will move that Mr. Picard be elected chairman of this committee.

Mr. CAUCHON: I second the motion.

Mr. THATCHER: Mr. Chassé, I will move that Mr. Fraser of Peterboro be elected chairman. I think I am permitted to speak to that motion. I so move, not for any personal reasons, but I would point out that in England the chairman of the committee has always been a member of the opposition, and I think that if we are to do our work effectively a member of the opposition in the chair would be advantageous. I might say, also, that the government have an overwhelming majority in this, as in other committees, if they wish to use it.

Mr. WRIGHT: I second the motion.

Mr. MAJOR: Before we vote on this motion I want to say to the committee that I am going to vote not because I live in England but because I live in Canada.

Mr. PICARD: Mr. Chassé, may I be permitted to say a word on the question of procedure in England so the record will be clear. In England they have followed that practice for quite a number of years; the chairman has been chosen from the opposition, usually the former secretary of the treasury, or a member of a former government, a man well versed in public finance and well known throughout the country, and a man whose outstanding ability is recognized by all parties. There is another thing also which exists in England; and it is that the people who are appointed on that committee do not consider when they get there that they have any political affiliations; and the custom in the past has been for that committee, shall I say, not to play politics—I am not for one moment suggesting that that sort of thing takes place in our committee here.

Mr. THATCHER: You are playing politics now.

Mr. PICARD: No, I am not. Nevertheless, that has not been the practice in this country and I think the committees are, and should be, free to choose whoever they want to be their chairman.

Mr. WRIGHT: Mr. Chassé, I would think that this would be a particularly appropriate time in which to change our custom and place a member of the opposition in the chair of this committee. At the present time the government has a rather unwieldly majority in the House—

Mr. CRUICKSHANK: And it always will have.

Mr. WRIGHT:—and as a consequence of that tremendous majority it has a majority on all committees. I think it would be a very fine gesture on the part of the government if they would support the nomination of a member of the opposition as chairman of this committee.

Mr. PICARD: May I point out, Mr. Chassé, it is not the committee, it is not the government itself that has made that majority, it is the people of Canada; and such a situation has always been reflected in all committees; members are appointed to committees on the basis of party representation in the House.

Mr. FRASER: Mr. Chassé, when the meeting of standing committees for the purpose of electing chairmen was held I was not present as I was at another meeting. I did not know that my name would be brought up at that time. However, I did know that it was to be brought up here today, and I am allowing it to stand as a protest against the way this matter has been handled in the past; but I will abstain from voting. I think that is the only fair thing to do. I know also that there is an overwhelming Liberal majority here, a government majority, and that I have no chance; but I am allowing my name to stand because I protest against the way the government has had control in the past.

The CLERK: Gentlemen, I will put the question on the first motion of Mr. Cruickshank and if that carries then there will be no necessity of putting the question on the second motion of Mr. Thatcher.

The question is on the motion of Mr. Cruickshank, that Mr. Picard be elected Chairman of this Committee.

(The motion is resolved in the affirmative. Yeas, 15; Nays, 5.)

Mr. BROWNE: On a point of order, Mr. Chassé, is it usual to have these votes taken by a show of hands or by secret ballot?

The CLERK: By a show of hands, unless some member asks that the vote be recorded; in which case I then record the names.

I declare the motion for the election of Mr. Picard carried, and I would ask him to take the Chair.

Mr. Picard in the Chair.

The CHAIRMAN: Gentlemen, I thank you a second time; and now, let's get down to work. At the first meeting it is usual for a member to move for the committee to ask leave of the House to sit while the House is sitting.

Mr. CAUCHON: I would so move.

The CHAIRMAN: Are you ready for the question?

Carried.

Mr. BROWNE: Mr. Chairman, on a point of order. Has a vice-chairman been appointed?

The CHAIRMAN: I am coming to that in just a moment, Mr. Browne. It is usual for us to deal with these routine motions first. There is no rule for that but it is usually done in that way.

The next motion in order would be for someone to move that the committee ask leave of the House to print from day to day 800 copies in English and 200 copies in French. We are reducing the number to be printed slightly from what it was last year in the interests of economy; and also because of the request of the King's Printer that we do so on account of the shortage of paper.

Mr. MAJOR: I will so move.

Mr. FRASER: Do you need that many copies?

The CHAIRMAN: I have been informed that the distribution office last year had a call for about 700, and they tell us they need a margin of 100. Shall the motion carry?

Carried.

The CHAIRMAN: Now, I think the time has come for the committee to select a vice-chairman.

Mr. STEWART: I would move that Mr. Ross Thatcher be vice-chairman.

Mr. LARSON: I would move that Mr. Dave Croll be vice-chairman.

The CHAIRMAN: The first motion is by Mr. Stewart, who proposes Mr. Thatcher as vice-chairman, and under the rules he is entitled to have his motion put first.

Those in favour? Those against?

I declare the motion lost.

The CHAIRMAN: Mr. Larson moves that Mr. David Croll be elected as vice-chairman.

Carried.

Now, some little time ago, on February 22, I received a letter from Mr. Thatcher addressed to Mr. Louis P. Picard, Chairman of the Public Accounts Committee—

Some Hon. MEMBERS: Oh, oh.

The CHAIRMAN: So on the 22nd I was probably the chairman.

Mr. FRASER: We knew that March 1 was going to be stormy.

By the Chairman:

Dear Sir:

I understand that according to the rules of the House, I must direct this letter to you.

I am anxious to have the Public Accounts Committee called at the earliest possible moment—in order to deal with the accounts of the Department of National Defence.

Yours truly,

(Sgd.) W. Ross Thatcher, M.P.,
Moose Jaw."

I answered Mr. Thatcher the next day in the following words:

Dear Sir:

Your letter of February 22 requesting an early meeting of the Public Accounts Committee is hereby acknowledged. Prior to receiving same, the first meeting of the committee had been set for Thursday, the first of March, at 10 a.m.

And I did not sign as chairman of Public Accounts; I just signed my name.

Now, gentlemen, at this time it is customary for the committee to decide on its agenda. We have one proposal here, that is to go into the accounts of the Department of National Defence. Are there any other suggestions?

Mr. CROLL: Mr. Chairman, had you not better arrange for a steering or agenda committee before dealing with the actual agenda? It has been the custom in the past to refer these matters to the agenda committee.

The CHAIRMAN: My point in not mentioning it is not a reflection on anyone, far from that, but last year we did select a steering committee. As you know, the steering committee sits in camera and, when we came before the whole committee, members objected to what had been decided—on the propriety of the decisions—and the fight started all over again.

Now, we all know what we want. My suggestion, and certainly a humble suggestion, is that we clear the matter up right away. I know it is customary to appoint a steering committee but, since it happened that last year when we had the steering committee whatever was decided by the steering committee was the cause of long discussion, I thought we might deal with the matter now in the committee.

Mr. WRIGHT: I think you are perfectly right. The whole body should decide what is to come before the committee and then when the agenda committee is arranged it can decide procedure.

The CHAIRMAN: There is no need for one because we will do the work right here.

Mr. WRIGHT: No, I think there is need of an agenda committee on matters of procedure and to deal with certain witnesses we want to call. I think it is necessary to have an agenda committee but I think this committee should give certain instructions to it.

The CHAIRMAN: Usually the purpose of an agenda committee is only to do what you just suggested and I suggest that once the decisions are taken by the committee the chairman makes arrangements to get witnesses and the only object of a steering committee is to decide on an agenda. If we decide that here we do not need a steering committee. The discussion is open, unless somebody wishes to make a formal motion.

Mr. CROLL: I move that the chairman appoint an agenda committee. It has been customary for the chairman to appoint that committee in the past.

The CHAIRMAN: Mr. Croll moves that an agenda committee be selected that the choice of the members be left as in the past to the chairman of the committee.

Mr. FRASER: I would like to make an amendment to that motion, that those words be struck out and that this committee right now decided that they go into defence expenditures.

The CHAIRMAN: That is not an amendment it is a counter proposal.

Mr. BENEDICKSON: I was going to suggest that I agree with the chairman. We are all here and I think at the first meeting of this committee it would be desirable that we hear from as many members as possible as to their hopes of accomplishment for this committee during the coming session. For that reason

I propose to vote against Mr. Croll's motion at this time. The chairman may be right in suggesting that we can continue to meet as a committee of the whole to decide our program throughout the year. I rather doubt that but I certainly think at the first meeting we could defer the setting up of an agenda committee whose main job is to decide on the precedence of evidence and, for that purpose, I just indicate now that I propose to vote against Mr. Croll's motion.

Mr. CROLL: Let this be understood. My thought was that although we should set up an agenda committee perhaps here today the members can express their views as to what topics they want brought up. There will be further inter-party discussion and no decisions made at the moment. Those matters, however, will be sent to the agenda committee and planned. Unless you have planning beforehand you will find that this committee will roam all over the place.

Mr. BENIDICKSON: You may be perfectly right but I think your motion is premature and for that reason I propose to vote against it.

Mr. MACDONNELL: Are there not two points: first, whether we want an agenda committee; and second what its duties are? I have listened to what has been said about the danger of discussions first here and then in the agenda committee. However, I suggest, as Mr. Croll suggested, that it might be useful from time to time to have such a committee. We do not divest ourselves of the power to do anything and we don't delegate it to that committee.

The CHAIRMAN: I think Mr. Benidickson's suggestion might be appropriate that we first get the views of the members as to the agenda and then later on if we decide it is necessary we can appoint the steering committee. I have no personal feelings.

Mr. SINCLAIR: Did I understand the suggestion is that the first item should be National Defence?

The CHAIRMAN: That has come from a letter I read a moment ago which I received from Mr. Thatcher. Then Mr. Croll got up and made a proposal that we could leave the choice of the agenda to a steering committee. I objected to that and said that last year we had a steering committee and whatever was decided there was brought back before the committee and discussed for a long time. We were never satisfied, so I thought we would have the whole discussion in the open and get away from that situation.

Mr. SINCLAIR: The very purpose of a Public Accounts committee is, first of all, to consider the public accounts and the recommendations of our servant, the Auditor General. Surely we should first consider the Auditor General's report and then go into whatever department the committee as a whole or the steering committee decides. Surely it should not be left to a steering committee to decide to consider our first responsibility, the report of parliament's servant, the Auditor General.

Mr. BENIDICKSON: I think it is quite appropriate that we have points of view of that kind at this time, and we have all morning to listen to these points of view.

Mr. MACDONNELL: That is what happened last year. We spent so long on the Auditor General's report—

The CHAIRMAN: On the Auditor General's report we spent only five meetings. We spent a lot of time on a memorandum submitted by the Auditor General. It is up to us not to ask him to submit a memorandum but to ask him to come here and go over his report which we covered last year in five meetings. The report itself was covered in only five meetings and the other time we spent with the Auditor General was on the memorandum he had prepared. He had asked permission to submit his views on the estimates. As Mr. Sinclair has just suggested the point here is that we should go into the Auditor General's report, but it is not the same thing as last year.

Mr. WRIGHT: The Public Accounts committee of this House has not met every year. It has only met when something has been referred to it—

The CHAIRMAN: I am sorry, I did not catch that.

Mr. WRIGHT: The Public Accounts committee has not met every year. It has only met when something has been referred to it either by the House or by way of a letter written by someone asking that the Public Accounts committee be called together. Last year a letter was received by the chairman asking that the committee be called for a specific purpose, to go into the accounts of the Canadian Commercial Corporation and the defence department.

The CHAIRMAN: The Canadian Commercial Corporation only. Last year there was a letter from Mr. Stewart. I can bring the letter; it said Canadian Commercial Corporation only. I am quite positive of that.

Mr. STEWART: I think it also said national defence.

The CHAIRMAN: I have the letter in my files in my desk.

Mr. WRIGHT: I think I have the floor.

The CHAIRMAN: Yes.

Mr. WRIGHT: The committee had 32 meetings and we never reached the objective for which the committee was called together last year, namely, the particulars set forth in the letter you received asking that the committee meet. Now, again this year we find the same thing taking place. We find this committee is called together as a result of a letter written to you as acting chairman, as you were not chairman at that time. Now we find the committee again apparently being diverted from the purpose for which the letter asked that it be called together. Now, I do not think that that is good procedure in a public accounts committee. I think as a private member of parliament, that any member has the right to ask the public accounts committee to investigate anything which he may think should be investigated. It does not necessarily mean that he is implying that there is something wrong.

In the defence department and through the Canadian Commercial Corporation we are spending hundreds of millions of dollars and I think that this committee might very well spend its time in checking those expenditures. I do not see why we should go into all of the public accounts. We simply cannot cover all of the public accounts. We have got to concentrate on some particular matters. That objective was set last year as well as this year by means of a letter written to the chairman of this committee asking that we meet for a specific purpose.

There was objection when I used the word "side-tracked"—that the committee was side-tracked last year—but certainly if it was not side-tracked, it was diverted.

The CHAIRMAN: The committee itself was not side-tracked because it was the committee which decided to do that.

Mr. WRIGHT: I know, Mr. Chairman, but the purpose for which the committee was called was diverted to some other objective. I am afraid that the same procedure will be started again and I do not think it is good. It would mean that public confidence would be lost in democratic procedure and in parliament if a member of the House cannot have an opportunity to bring up some particular matter which he would like to have investigated by this committee.

Mr. FRASER: Mr. Chairman, on more than one occasion the late Mr. King, when talking about public accounts, distinctly said that any member could, on his own, ask that the public accounts committee be called and that a specific item be discussed at that time.

Mr. THATCHER: Mr. Chairman—

The CHAIRMAN: Are you finished, Mr. Fraser?

Mr. FRASER: Yes, Mr. Chairman, but I remember Mr. King saying that on more than one occasion.

Mr. THATCHER: Mr. Chairman, I think I was the one who wrote that letter.

The CHAIRMAN: This time!

Mr. THATCHER: Yes. Should not this committee, in principle, decide whether or not it is going to go into the question? It is my right as a private member to ask that the committee consider it. I have no objection to a steering committee being set up; but I think, in principle, we should decide what we are going to do.

The Prime Minister, in the House this year, did give assurance to opposition members that we would have an opportunity to go over national defence public expenditures. There is no harm in the Parliamentary Assistant's suggestion that we spend some time on Mr. Sellar's report. The only thing I am afraid of is that if we spend as much time this year as we did last year on that matter, half the session will be gone. I think we should pin-prick our work and take this one department and do a thorough job on it. I think we should, first of all, in principle, decide whether we are going to go into national defence.

Mr. CRUICKSHANK: Mr. Chairman, what are we to discuss unless it be the Auditor-General's report?

Mr. THATCHER: Public accounts, Mr. Chairman.

Mr. CRUICKSHANK: You have gone rusty!

The CHAIRMAN: It is not a question of whether or not the committee wants to go into a given department at this particular moment. I read this letter. It is up to the committee to decide what it wants to do. I am sure the only point is what the order of precedence is to be. Does the committee want to do something else or does it want this matter gone into now? This is the time for members of the committee to express their views, and following that we can see what the general consensus is.

Mr. MACDONNELL: Mr. Chairman, I observe that Mr. Thatcher has said that as far as he is concerned if we want to spend a modest amount of time on the Auditor-General's report he would not object. Personally I do think that considerably less than five meetings would be sufficient. Does anyone here doubt that the defence department's estimates are immeasurably more important than any other matter that can possibly come before this committee for several years? I need not go into them. I cannot believe that any of us would doubt that.

The CHAIRMAN: You are right.

Mr. SINCLAIR: Mr. Chairman, what defence estimates have we got before us? We have before us the public accounts of 1949-50.

Mr. MACDONNELL: That is one of the questions I was going to raise. You are saying that what we are to deal with is something that happened a year ago March, 1950.

Mr. SINCLAIR: I did not say that!

Mr. MACDONNELL: I was going to ask Mr. Thatcher what he intended. Are we interested only in what happened up to March 1950, a year ago?

Mr. CRUICKSHANK: How can you consider anything else?

The CHAIRMAN: The public accounts committee has for its work the reviewing of the Auditor-General's report and the public accounts of Canada for the year ending March the first, 1950. That is the consensus of the committee; to go over the expenditures which have been audited by the Comptroller of the Treasury and the Auditor-General, and to consider the report of the Auditor-General. That is our only work, the only thing we are empowered to do.

Mr. MACDONNELL: That is so, Mr. Chairman. That is my impression too. But what was troubling me was that somebody has already quoted remarks of the Prime Minister which appeared to indicate—whether or not as a special concession—that this year this committee would be enabled to go into current accounts. I may be wrong, but that was my understanding. Perhaps whoever quoted the Prime Minister would correct me.

The CHAIRMAN: He said the public accounts of the Department of National Defence. And I think that unless the rule of the House were changed—the House always has the right to refer anything to us—the practice is to go into the public accounts. I think the Prime Minister said that the expenditures of the Department of National Defence could be brought before the committee in due course. I think that was his statement.

Mr. BROWNE: Up to date?

The CHAIRMAN: We cannot bring them up to date, because they are not audited by anybody.

Mr. CROLL: Mr. Chairman, I withdraw my motion.

Mr. THATCHER: Mr. Chairman, I move that the principal business of the committee be that we first go into the Auditor-General's report on defence items, and then go specifically into national defence.

The CHAIRMAN: Would you put that motion in writing, Mr. Thatcher? It is important that it be in writing in case any amendments are in order. The members will then know the exact wording of the motion.

Mr. CRUICKSHANK: What is the motion?

The CHAIRMAN: We do not know yet. Mr. Thatcher is putting it in writing. While the motion is being drafted anyone who has heard it or understood it might in the meantime speak on it if he wishes to say anything.

Mr. BENIDICKSON: I am not able to support Mr. Thatcher's motion as it is now stated because I think Mr. Sinclair is perfectly correct in stating that our first act should be to examine the Auditor General's report. Now, having said that—

Mr. FRASER: May I interrupt you a moment?

Mr. BENIDICKSON: —having said that, I was going to say that I was very disappointed with the agenda that took up so much time during last year's sessions of the Public Accounts committee, although I was a member of the agenda committee I want to say that when we first assembled a year ago I felt this committee could do nothing better than follow the suggestion that was advanced by Mr. Stewart, that we do examine the expenditures of the Department of National Defence. In other words there is a feeling among the people that a lot of money is being spent by the government, a government, any government. I feel that instead of a lot of expeditions into policies and methods of administration that we have a duty to examine something in a concrete way, to see if we can establish confidence in our minds that those in charge of these very big enterprises are carrying them out with the greatest possible respect for the taxpayer's money. Now, I feel that that imposes a great responsibility on the members of this committee, both opposition and government, to challenge expenditures, and if they see expenditures being made that should not be made I feel they should take the responsibility for saying that those expenditures should be cut out. I hope that instead of taking items in total and saying so much money has been spent on travelling expenses or so much money has been spent on public relations activities that we would go to the roots of those things and take the responsibility for saying this or that is unnecessary as the case may be. I do not think it matters whether we examine the accounts for 1951 or those for 1950. Let us make a start. I am assuming that inasmuch as we have not got audited

statements in a printed form we cannot examine accounts of the Department of National Defence other than those ending in the year 1950, but I say if we examine those and we find confidence in those expenditures I think it will be something that the public will appreciate; they will recognize that the people in charge of defence at that time are very much the same people who are in charge today. Now, I think that would be a very fine thing to do in view of the increased expenditures and the increased burden which will, as a result, fall upon the taxpayers.

Mr. BROWNE: Mr. Chairman, may we hear the motion now?

The CHAIRMAN: Moved by Mr. Thatcher, seconded by Mr. Wright, that the committee discuss the Auditor General's report for not more than five meetings and then proceed with the public accounts on National Defence.

Does anybody want to speak on this motion, or do I call the question now?

Mr. ASHBOURNE: What about Mr. Croll's motion?

The CHAIRMAN: Mr. Croll has withdrawn his motion. The question is on Mr. Thatcher's motion. All those in favour will please raise their hands.

I declare the motion carried unanimously.

Mr. CRUICKSHANK: I do not see how we can set up a deadline.

The CHAIRMAN: It is not unanimous but I declare the motion carried. Shall we now consider the question of a steering committee or shall the chairman just call the witnesses? The Auditor General will be called before us, and the meeting will stand adjourned to the call of the chair. Unless there is objection, the first witness for five meetings or less—if we finish with him in less than that time—will be the Auditor General. We will consider the Auditor General's report.

Mr. CROLL: Mr. Chairman, do you not think we ought to have a steering committee?

The CHAIRMAN: It is up to you, but the steering committee would be set up to do the work we have done now. The Chairman now has nothing left to do but to call the witnesses, and that is what the clerk does.

Mr. BENIDICKSON: I do not think that is entirely the result of the discussion. I will now be prepared to support Mr. Croll's motion and for this reason that we have limited ourselves to five meetings. I have seen from experience how easy it is to devote a considerable time by getting into a longer discussion than necessary on some few items, such as a discussion on the first five items out of seventy or eighty in the public accounts report. Now, in view of the fact that the chairmanship was contested today I think it would be very advisable to set up an agenda committee; that committee could look over Mr. Sellar's report in advance and, with the chairman, see if they could not in their own minds try and ration out the discussion based on Mr. Sellar's report. As you can appreciate, the members of the opposition would have representation on that agenda committee and therefore would be, with the chairman, in a position to decide what is to be taken up.

Mr. CROLL: That is very dangerous of this reason: we have a majority on that committee and the minute we start rationing we are the people who are doing the rationing.

The CHAIRMAN: I think so. We ought to leave that to the full committee at least until we get through with the Auditor General. I know I would not like to be a member of the steering committee that would limit one meeting to so many articles and another to so many other articles of the report.

Mr. BENIDICKSON: I suggested it as a measure of fairness.

The CHAIRMAN: It might be acceptable to members but the minority may feel that they have been deprived of some rights. We know what the report is, we have time to look into it before the Auditor General attends, and until such time as we finish these five meetings we should have the Auditor General before us and go ahead with the study of his report.

Mr. ROBINSON: There is one other point, Mr. Chairman. I am quite certain that it would not be the wish of this committee to take any senior officer from a very essential job to spend time before the committee unnecessarily and I think in that respect a steering committee might be helpful in deciding how that could be done without any interruption of essential services if it is a question of bringing senior officers before the committee. I think the steering committee might be helpful in that respect.

Mr. SINCLAIR: When you speak of senior officers you are talking of senior officers of the services, not senior officers of any administrative department?

Mr. ROBINSON: That is right.

Mr. WINKLER: I think a steering committee would be very useful in case anything unforeseen comes up.

Mr. WRIGHT: I really think a steering committee would be helpful; otherwise, we would have to take the responsibility of calling witnesses whom we might want to have appear before us.

The CHAIRMAN: My view was that this motion applied only for the first five meetings. If you want to appoint a steering committee, alright.

Mr. WRIGHT: I move that a steering committee be appointed.

Mr. BOISVERT: I will second that motion.

The CHAIRMAN: It has been moved by Mr. Wright and seconded by Mr. Boisvert, that the chairman select a steering committee to advise him on the question of agenda.

Carried.

Shall we then adjourn to the call of the chair?

Mr. MAJOR: Before we adjourn may I suggest that when we consider Mr. Sellar's report we deal with it straight through from item 1, consecutively, and not jump from one item to another the way we did last year. It would seem to me that in that way we would make better progress on that phase of our work.

The CHAIRMAN: That was the practice last year when we dealt with the report in five meetings.

Mr. WRIGHT: Can't there be some indication from the chair as to when we may have our next meeting?

The CHAIRMAN: Probably early next week. I shall have to get in touch with Mr. Sellar. In the meantime we will adjourn to the call of the chair.

MINUTES OF EVIDENCE

March 8, 1951.

The Committee met at 11 a.m.

The CHAIRMAN: Gentlemen, the meeting is open.

The steering committee met at 10:30 o'clock this morning, and Messrs. Cauchon, Croll, Johnston, McDonnell, Thatcher, Winkler and myself were present. It was unanimously agreed that we would start on the report of the Auditor General immediately and proceed article by article. It was also agreed that we would assume that members have read each article of the report and that we would not ask the Auditor General or the Chairman to read out each of the paragraphs; that the Chairman would call number one, number two and so on, and any questions on that paragraph would be in order, questions relating to any matters concerned in that item; and that the questions would be limited to the item under review. Suppose we are dealing with an item which concerns agriculture, we will limit ourselves to what is in that item and not spread out to the whole of the department, in order that we can get through within the limit of time set to the committee for completing the work on the report of the Auditor General. That was the unanimous agreement of all members of the steering committee; and, as you know, all parties are represented on the agenda committee.

Mr. SINCLAIR: Mr. Chairman, if the question was one, let us say on agriculture, who would be here to represent that department?

The CHAIRMAN: Just the Auditor General himself. We are asking him questions as to why he put this or that in his report. We would want to get through with his report in five meetings, unless someone made a motion that it was highly advisable to get a particular item of information, let us assume it was on agriculture—I mean, that might have been raised. I assume it was the intention of the members that we have just the Auditor General as a witness and have him go through his report. Should any member require a statement on a particular item I suggest that he might make a motion that we call the appropriate official to be heard at a time that would be agreed on by the steering committee. The steering committee agreed to call the Auditor General himself and to limit questions to each item seriatim, and to confine questions and discussion to matters that are included in the individual item. It was also agreed that once we were through with the work on the Auditor General's report the agenda committee would meet again and arrange for the appearance of witnesses from the Department of National Defence.

Now, we will call Mr. Sellar:

Mr. Watson Sellar, Auditor General, called:

The CHAIRMAN: Now, gentlemen, number one, that is to say the item on page 2 of the Auditor General's report. His report is at the end of the blue book. Are there any questions on item one?

By Mr. Macdonnell:

Q. There are two cases that you comment on there, one of them is the custodian of enemy property; and the Auditor General points out that, unlike these others, there is no report presented to Parliament. I would like to ask

why that is so. Also, why are the Yukon accounts not tabled?—A. I am very glad Mr. Macdonnell has brought that point up because the sentence in my report dealing with the custodian of enemy property may be misleading. Up until 1947 the custodian of enemy property was under no obligation to report to the House of Commons and it was not the practice to make one. In 1947 there was the legislation called Trading With the Enemy (Transitional Powers) Act, which requires the custodian to make an annual report on his operations. The custodian makes a report on those operations and the report for the year which is now under review was tabled in the House of Commons on the 14th of March. That review did not include the Auditor's report because the audit was not completed as of that date. We are always delayed by reason of the fact that we have to get the reports from the various custodians throughout Canada who hold securities and other property, and our report was not signed in time to be included. However, the report of the custodian did include a statement regarding the financial transactions, and you can accept that report as setting out all the material things that were set out ultimately in the Auditor's statement. So far as the Yukon Territory is concerned, sir, they operate independently of the government of Canada. There is a special Yukon consolidated fund and they operate as a separate entity, but by law the Auditor General of Canada audits their funds.

Mr. THATCHER: Mr. Chairman, last year the committee made a recommendation to parliament concerning these Crown corporations, and there is a recommendation on page 1013 of the evidence of last year which says:

Your committee is of the opinion that the yearly report of every Crown corporation should be referred for study to a select committee of the House.

I wonder if either the Chairman or the Auditor General could tell me whether that has been done in any case; and, if not, whether it will be done?

The CHAIRMAN: It will be for some member of the government to inform us whether it has been done, or if the government intends to carry out the suggestion contained in the recommendation from our committee. I do not think that either the Auditor General or myself is the proper person to answer that question. We do not know the intentions of the government. The committee has made a report and that report is before the government. Your question is one which should be put on the order paper in the House, but I do not think the Auditor General or myself could answer it now.

By Mr. Thatcher:

Q. Well then, perhaps the Auditor General could tell me whether any of these companies listed here came before any parliamentary committee in the past year?—A. All of them were audited by me, sir. Their accounts are in the blue book before you.

Q. Are any of them coming up for scrutiny before any committee of parliament that you know of?—A. Other than this?

Q. Yes.—A. We know that the Canadian National Railways, for example, come here every year.

Q. I mean companies of the kind you have listed here; have any of those companies come before a parliamentary committee?—A. Not other than this one, sir.

Q. That means then that the only scrutiny they get is what you give them, is that correct?—A. And this committee. You examined practically all of them; you asked questions last year with regard to a very large number of these companies that are in the list there.

Q. Of course, this committee has not the time to do it properly. Mr. Chairman, I would like to suggest again with regard to these Crown corporations some of which have the power to borrow public funds, and many of which have the same special immunities which are enjoyed by the Crown—some of them I know are concerned with our war effort, and their efforts I think will probably become more serious if we do reach a stage of war—surely, Mr. Chairman, it is not unreasonable to ask that these companies should come before a parliamentary committee of some kind. I think that is the recommendation we made, and I think we should make it again, definitely; if we can as a result of suggestions save the Canadian taxpayers maybe hundreds of thousands of dollars. I think we should make it imperative that some scrutiny should be given to them, and this Public Accounts committee cannot do it properly or adequately.

Mr. MACDONNELL: May I just say that, as you will recall, a recommendation of that kind appeared in the report of this committee. The committee spent a lot of time and did a lot of work on that phase last year. I think you are perfectly correct in saying, Mr. Sellar, that you cannot answer for the government on matters of policy, but might we not expect after all the work which was done by this committee, that after they make a recommendation of that kind we will at least get an answer and not have to go and raise the question on the orders of the day or put it on the order paper in the House. I mean, it makes one wonder whether these committees are taken as seriously as we would like to think they should be.

Mr. SINCLAIR: I would suggest that the matter is one which might very well be brought up when the revision of the act is up in the House later this year. I can assure you, Mr. Chairman, and the members of the committee, that certainly suggestions made by a committee of this sort are very very carefully studied by all those dealing with these matters; and, speaking for myself, I can assure you that that is so.

The CHAIRMAN: It is not for me to suggest to members that they should ask questions in the House, but I do think that Mr. Thatcher's question is one which should have been put to the Minister of Finance in the House, or to the Prime Minister. It is not for me to say whether they intend to carry out these suggestions or recommendations. The committee has gone as far as it has powers to go in making the recommendation that it did. It is a question of government policy and, as I see it, it is not one that comes within the scope of our authority at all. So, as you have mentioned it, I suggest that you might ask the Minister of Finance, or whoever it is, in the House whether it is the intention to comply with the recommendation made last year by this committee, to refer these reports to a special committee. It is not open to us to act on it any more than we did last year. We made a report. As Mr. Macdonnell graciously said, I made the first draft myself and I included that in the first draft and then it went before the committee. It is your view that it might be appropriate that these matters should be referred to a special committee; but I just want to point out that it is up to the government to decide what they are going to do, and only a member of the government can indicate what their intention is.

By Mr. Thatcher:

Q. I wonder if Mr. Sellar could tell the committee in round figures what the total investment of the taxpayers is in these different companies?—A. I am sorry, sir, I haven't got the figures. I can bring them together for you.

Q. I wonder if you could get that information, for instance, in connection with the Polymer Corporation. There are millions of dollars invested in that Corporation, and so far as I know, there is no way of going over their revenues

and expenditures from year to year. Theoretically, it is up to the committee to review that, but I have never seen any of the Polymer accounts in any way in which questions could be asked about them, except for items in the estimates, and things like that. It simply is not practicable to give that company a blank cheque—and you have the same thing with many others.

The CHAIRMAN: If you would prefer to take Polymer ahead of National Defence, all you have to do is to make a motion in the committee. As you know, we have a big task ahead of us, but if you think that Polymer is more important, it will be up to the committee to decide which they prefer to take.

Mr. THATCHER: Mr. Chairman, you are being facetious. I understood that they would go to a select committee.

The CHAIRMAN: As I say, we have a pretty big load here right now, and if we are to attempt to do that—

Mr. THATCHER: If we were to sit twenty-four hours a day, six days a week here in this committee from now until the end of the session we could not go over all these companies.

The CHAIRMAN: That is right. My answer is not restrictive. I did not say we should not take these matters up before a select committee. All I say is that if we wanted to we could do it in this committee, if we gave preference to that heading instead of to another. I agree with you that it was suggested last year that these matters be referred to a special committee. It is up to the Government to indicate what they want to do.

By Mr. Thatcher:

Q. If one of these companies wanted to borrow money are there any restrictions? Can they go out and borrow an unlimited amount? What restriction is there on their borrowing capacity—speaking of any of the Crown corporations?—

A. The only company which has any borrowing power—you are speaking of borrowing from the bank or the public—is the Canadian Wheat Board; all the rest of them are dependent on the Consolidated Revenue Fund.

Q. Suppose this Polymer Corporation decided that they needed two or three million dollars in a hurry, do you mean that they would have to go to the minister and get an order in council, or come to parliament and get a vote to borrow that money?—A. There would have to be an appropriation.

Q. They cannot borrow on their own?—A. No.

Mr. FRASER: I suppose they would not have to go to parliament.

The WITNESS: There would have to be an appropriation. The Minister of Finance only has the power to loan up to \$500,000 in the case of any company, under the provisions of the Government Companies Operations Act, that is the limit.

Mr. FULTON: Is that the total amount or the amount to each company?

The WITNESS: \$500,000 to each company.

Mr. BOISVERT: But they can borrow from the government, through the Minister of Finance, up to \$500,000?

The WITNESS: They can go to the government for up to \$500,000.

The CHAIRMAN: Are we through with questions on item one?

By Mr. Macdonnell:

Q. Have there been any occasions, to your knowledge, where any of the companies have been embarrassed by not being able to get the money they needed?—A. No.

Mr. BOISVERT: Mr. Sellar, is there any particular reason why the accounts of the custodian of enemy property are not presented to the House of Commons?

The WITNESS: I am sorry, sir. A moment ago when I answered a similar question I faced Mr. Macdonnell. A report by the custodian of enemy property has been presented to the House of Commons since 1947. That is required by the statute. But the auditor's statement cannot be included in the report because the audit is not completed by the time the report of the custodian is presented. The custodian in his report last year set out his financial transactions which, when we completed our audit, we found was reconcilable with the information he has given. What I was referring to, and what I am dissatisfied with in my wording of the report, is this; I should have said that the audited statements are not printed in the Public Accounts. The custodian does present his report and it includes the financial transactions in a quite extensive fashion.

The CHAIRMAN: Item 2:

Carried.

Item 3:

Carried.

Item 4:

Carried.

Item 5:

Mr. FRASER: On this item 5, Mr. Chairman: as I recall it, starting with last year, the Department of Transport had a revolving fund set up. Would that take care of things such as we find here? He said:

However, had the year-end issue of stores, to the amount of \$17,256, from the Department of Transport stores account been recorded as charges, vote 453 (Departmental Administration) would have been exceeded by \$10,480 and votes 456, 461 and 465 by small amounts.

Well now, would this new fund which was set up, I think just this last year, take care of things of that kind?—A. No. The legislation of last year increased the amount which the Minister of Transport had available to use for the purpose of purchasing stores throughout the year. In parliament there was some discussion as to the method employed in controlling the funds and the Minister of Transport gave an undertaking that the system was being reviewed by his own officers and officers of the comptroller of the treasury, and also by my office, and that he was hopeful that this sort of thing would not recur. This arises out of the fact that issues are made all over the country from points ranging from Prince Rupert to Halifax. At the year end they may be running over on some particular item; for example, in one particular case, the item for fuel might be over-drawn—I do not think you need to worry about it. I had to bring it to your attention. I do not think it is anything you need worry about.

Mr. MACDONNELL: I notice, on item 5, Mr. Chairman, that the Auditor General makes a suggestion. He says:

In a revision of the Consolidated Revenue Audit Act, consideration might be given to directing that this annual listing be repeated in the public accounts, because refunds and remissions are of audit concern only when irregularly made.

Now, it is a small point, but there is a suggestion there, you go on record as being in favour of a revision?

The CHAIRMAN: Yes. I am not sure; of course I cannot speak for the Treasury officials; but I understand the matter is now under review in the Department of Finance and that this is being considered as an amendment to the Audit Act. We might make a note to report on it but before we have time to report the bill might have reached the House. We will make a note of it for future reference.

The WITNESS: Might I add that in my report this year you will find quite a number of paragraphs which are related to the expected revision of the Consolidated Revenue and Audit Act. They are not in there by way of criticism but rather for the sake of information so that members may have an opportunity of familiarizing themselves with these matters if they think they are of importance, when they come to consider that bill. I am not criticizing the items in particular. I knew that this bill was coming up, therefore I put them in.

The CHAIRMAN: Page 4, Item 6. Are there any questions? Then item 7?

Mr. MACDONNELL: I would like to ask if the Auditor General could give us details of the decrease of \$16 million odd under the heading of "Return on Investments"? Or is that something which we should have looked up for ourselves before we came here?

The CHAIRMAN: Where is that, please?

By Mr. Macdonnell:

Q. I refer, Mr. Chairman, to the item entitled "Return on Investments", which is to be found in line 4 of Item No. 7, and which shows a decrease of \$16,360,000.—A. Mr. Chairman, that arose in the main through the sale of securities which were held as temporary investments of the government of Canada.

Q. Under some one department, or just in general?—A. During the war years the Minister of Finance had a security investment account. He was permitted by order in council to make temporary investment of idle balances in the consolidated revenue fund so that they would be earning money. He accumulated quite a lot of money. Some of these securities matured and they were redeemed. In effect, therefore, they ceased to produce interest.

Q. You mean he bought them at a premium?—A. He may have bought some of them at a premium. He bought them on the market, some at a discount and possibly some at a little over, at a premium; but they were paying 3 per cent interest. Of course, when he sold them, that source of income disappeared.

By Mr. Fulton:

Q. Did he invest that money in government bonds?—A. Oh, yes, government bonds.

By Mr. Macdonnell:

Q. It was my understanding that we had been maintaining the price of our government bonds so that they would never go down.—A. It was not a support of the market proposition. It was to keep idle money earning interest. For example, he would float an issue during the war of, let us say, two or three billion dollars. He would not need all that money at once. And if it lay idle in the bank, he would get no return on it. But if he put it out into government securities, he would get 3 per cent interest.

Q. Then this \$16 million odd represented returns on money which was only temporarily available; and when it became needed for a certain purpose, it would have to be spent?—A. It was converted.

By Mr. Fulton:

Q. What effect does it have on the revenue and expenditure picture of the country, when you invest your money in securities and pay yourself interest on it and then show that interest as revenue?—A. You have to do it. You have to show the interest paid on debt to the public as an amount which you pay out; and on the revenue side you show what you get in yourself. It is a cross entry, but you cannot avoid it.

Q. It is cancelled out?—A. Yes, and you cannot avoid it.

By Mr. Macdonnell:

Q. I notice a reduction of \$26,065,000 under the heading of "Manufacturers' Tax on Beverages". Would that be due to lessened consumption?—A. I think that happened as a result of the repeal of the tax.

Q. I suppose so. But I had hoped it was due to lessened consumption.

The CHAIRMAN: Are there any more questions on Item 7? Now, Item 8.

By Mr. Fraser:

Q. Mr. Chairman, with respect to the item "Settlement with United States on Munitions, Inspections Account", could we have it explained what that covers?—A. During the war, Canada and the United States had an agreement whereby there was joint inspection. And when it was all over, in settling the relative amounts payable by each for these inspections, the United States owed Canada \$11 million, and they paid Canada the money. I think we were perhaps the only country in the world which ended the war having the United States a debtor to us.

Mr. MACDONNELL: Are we on Item 8, Mr. Chairman?

The CHAIRMAN: Yes.

By Mr. Macdonnell:

Q. I wonder if the Auditor General would say something to us about renegotiation of war-time contracts? What I have in mind is just a general idea as to the principle which was used.—A. Mr. Chairman, in the case of most of these contracts, there were cost audits carried on by the comptroller of the treasury section to establish the real cost. These reports would be made to the Minister of Munitions and Supply. He, in turn, had a financial branch which was headed by Mr. F. H. Brown, who was on loan from the Canadian Bank of Commerce. He would review them and bring them all together. And wherever the minister was of the opinion that the profit to a contractor or on a group of contracts had been excessive, they re-negotiated the contract so that the government became entitled to a refund. As to this \$16 million odd, you will notice that the amount is decreasing. Now, how does this money come in? The contractors assign to the government their rights to the refundable portion of the business profits tax which had been collected by the Department of Revenue. Therefore, as that money becomes repayable, in accordance with the law—instead of it being paid to the original taxpayers, it is paid over to the government of Canada. There will be about \$5 million coming in this year in that regard.

The CHAIRMAN: Item 9?

By Mr. Fraser:

Q. Not yet, Mr. Chairman. What about this "Park Steamship Company surplus" of \$3 million odd? Does that arise out of the sale of ships?—A. No. That arises out of the chartering of ships. They charter these ships and this represents the profit on it.

The CHAIRMAN: Item 9? Item 10?

By Mr. Fraser:

Q. With respect to Item 10 I read:

Rental charges were set at 50 per cent of the company's gross profits as established to the satisfaction of the government.

How does your department check to find out whether or not those figures are right? Do you take the company's word, or do you have an auditor in there?—A. On this particular contract with the Roe people, the agreement pro-

vided that the first figures would be those certified to by the auditors of A. V. Roe and Company. But the Minister of Trade and Commerce by the agreement had the right to put in either myself or another firm that he might select to evaluate as to the accuracy of these figures.

In this particular instance—I think it is a fact although I cannot vouch for it—the Minister of Trade and Commerce had the benefit of the experience of Mr. Scully, the Deputy Minister of Taxation. The revenues have been approved with great care. He is an experienced accountant of long standing. He was the man who would deal with that. This item is essentially one related to the Consolidated Revenue and Audit Act, that is, with respect to the use of the powers of a corporation in dealing with public monies. I think the last sentence contains the point of this thing. I am not questioning the settlement or anything else.

By Mr. Macdonnell:

Q. It says:

The rental charges were set at 50 per cent of the company's gross profits. . . .

Is that not a rather unusual basis for rental? One would have thought that would be to the satisfaction of the government. Is that just a formal statement or was there some special understanding with regard to it? One would think that to pay 50 per cent of your gross profit might create a pretty difficult bargain to carry out?—A. I cannot give you any information as to the reason that was taken. I did not participate in any way in it. You would have to ask the department for information as to why that was taken. From my viewpoint it seemed to be beneficial to the department.

Q. It struck me as being strange. And when we have a strange arrangement, we feel we would like to understand it better.—A. I cannot help you. I am sorry. I can, however, give you the gross profits shares by years, if you would care to have them.

Q. I was just going to ask you about that.—A. The financial year of the company is July 31. Do you want round figure or precise ones?

Q. Round, but not too round.—A. 1946, \$16,800; 1947, \$151,000; 1948, \$251,000; 1949, \$240,000.

Those are round figures.

Q. Perhaps my next question should not be asked either; but I would like to raise it at any rate. There you have profits going up from virtually nothing to a fairly substantial amount, in 1949, of \$240,000. Then we find that the company exercises its option to purchase. It is an option which was set out earlier at \$2,500,000; and an order in council was passed fixing the value at \$1,950,000, but not for all of the property.—A. There was a reduction in the quantity of the property taken.

Q. So presumably \$1,950,000 covered that part of the property which they wanted, and out of which they had been making profits. Now, when they made \$240,000 profit in 1949, that meant that the government had received a rental of \$120,000. Of course, those are gross figures. So you sold for \$1,950,000 property from which you were getting \$120,000 a year. When was this done? Evidently in 1949. I suppose at that time one would say that the tremendous speed-up we have had since was not in sight. But when we look at it now, we find that that price looks to be a pretty sick one in the light of first wisdom after the event. I wonder if you can say anything more about it?—A. Mr. Chairman, I think you have to bear in mind in regard to this transaction that the government ended the war with that plant at Malton. It was a very important thing to have employment locally. The A. V. Roe Company offered

to go in and operate that plant and develop it, and in particular to endeavour to develop a new type of aircraft. They came in and fortunately they have been very successful. I think you have to off-set those facts against the dollar figure, I mean the value of having a going concern in the locality, from the viewpoint of the country as a whole.

Q. You do discuss it at some length in the second paragraph. You discuss the merits of it and I believe they are substantially what you have just said.—

A. I had to explain why I doubt the actions of the War Assets Corporation in handling this money the way it did.

By Mr. Fulton:

Q. The figures show what they actually paid. Taking the basis for the plant which they were getting at $2\frac{1}{2}$, and the gross rental at \$241,000, that would work out to be rather less than one-half of one per cent of the value of the plant they were occupying over two years.—A. But the government got the advantage of the experimental work, and it is off-set in the rental now. If you want to get more information in connection with it, you should call someone from the Department of Trade and Commerce who knows the facts.

Mr. MACDONNELL: You say that the government had the advantage of the experimental work. But so did the A. V. Roe Company have that advantage as well.

Mr. FULTON: Yes, and on a part of the plant for which they paid \$241,000 rent for two years.

Mr. MACDONNELL: I think this is a very complicated transaction, Mr. Chairman. I wonder if we ought not to call some more witnesses concerning it?

The CHAIRMAN: According to our agreement we will leave this subject and after we have dealt with Mr. Sellar's report, if we are still within our prescribed time, I would have no objection, provided the committee wishes to spend the time on this matter, to looking into this more closely. Therefore, we shall let item stand.

By Mr. Fulton:

Q. Might I ask Mr. Sellar this question: I take it from Mr. Sellar's observation in connection with this transaction what has happened is that as a result of the action taken, War Assets Corporation, relative to the exercise of the discretion, as it were, has relieved the company of any liability for paying rent over and above \$14,000 odd. They had paid \$209,192 as rent. And that, if War Assets Corporation had not taken that action, this matter would have had to come before Parliament, as it would have had to come out of the Consolidated Revenue Fund, and Parliament would therefore have had an opportunity to investigate the equity of the settlement, an opportunity which Parliament is not now getting. Is that your point, Mr. Sellar?—A. My point is that War Assets Corporation acted as agent for the Receiver-General in collecting that money. Now, had the Receiver-General received that money, it would have gone into the Consolidated Revenue Fund and it could not have been paid out without parliamentary approval.

War Assets, however, is selling public property all the time and it has certain moneys in its hands and it made the adjustment out of those moneys.

Q. With regard to the last two sentences in the first paragraph on page 5, you have simply made two observations without any comment. You say:

For these reasons, it considers that the refund was regulated by the provisions of the Surplus Crown Assets Act and not by the Consolidated Revenue and Audit Act.

What is your opinion? Do you agree with the opinion of the War Assets Corporation?—A. No, sir. I do not think that the War Assets Act applies at all to this transaction. But that is just my opinion.

Q. Then what you have already said is that as a result of this action parliamentary control over the payment was dissipated?—A. As I have said, this item is placed in here because I had in mind the revision of the Consolidated Revenue and Audit Act, and that maybe they would make provision regarding this sort of transaction. And, if the government should bring in such a measure, you would have here a sample case. It is just a broad proposal which is made. I am not disturbed at all over this transaction in any way whatsoever.

The CHAIRMAN: Item 11?

By Mr. Fraser:

Q. Do you know what the total cost of that building was before it was destroyed?—A. No, sir.

Q. You have no idea of it at all?—A. I have no idea of it. That was the approximate value of equivalent buildings at that time.

The CHAIRMAN: Item 12?

By Mr. Thatcher:

Q. I wonder if Mr. Sellar could say if this payment has subsequently been made?—A. My note is to the effect that settlement is to be made during the 1951 shipping season.

Q. They have made arrangements, then?—A. Yes. The company has offered to allow them to use \$10,000, or to settle in the 1951 season, and the department has decided to adjust in the 1951 season.

By Mr. Macdonnell:

Q. Could Mr. Sellar say a word or two as to the special situation which caused a departure from the regular practice here? Was this a dredging operation which had really been done for the exclusive, or almost exclusive benefit of this corporation? Was there an understanding in advance? Or is there any principle with respect to free dredging which obtains on the St. Lawrence, and I suppose elsewhere too?—A. In answering you I shall have to depend upon hearsay. I cannot be factual. However, my understanding is that this was undertaken in the ordinary way as a public works necessary for the welfare of Canada.

Q. And where is it located?—A. Somewhere up in the Georgian Bay area, I think, although I do not know. It is in the province of Ontario.

Q. It was not undertaken for the benefit of the tourist trade?—A. Oh, no. There was a mine there, and it was done in order to facilitate the removal of a commodity from that mine, and also the fact that this mine was operating to benefit very materially the area there. The government felt the company should make a contribution towards it and they agreed that as this was to their benefit they would make a contribution. They said you must spread it over a period of years and that is what is being done.

The CHAIRMAN: Shall we pass on to Item 13 now?

By Mr. Macdonnell:

Q. Could we have a word about the item "Loans and Advances"?—A. "Loans and Advances" is set out in paragraph 16.

Mr. THATCHER: Are we on Item 13 yet, Mr. Chairman?

The CHAIRMAN: We are on Item 13. May we not deal with your question, Mr. Macdonnell, when we come to Item 16? Have you any questions on Item 13?

By Mr. Fulton:

Q. "Continuing Appropriations". Might I ask what they are? Are they items which appear in the estimates as statutory authorizations?—A. Yes, sir.

By Mr. Thatcher:

Q. I wonder if Mr. Sellar could say whether all of this lapsed money was ever returned to the Treasury or spent?—A. It never left the Treasury.

Q. I read a paragraph in the *Montreal Gazette* a while ago which says:

The law, for instance, requires that any amount voted by Parliament, and not spent within that fiscal year, must be declared and returned. The object of this law, of course, is to keep a firm grip by Parliament upon the public moneys. But Mr. Sellar discovers every year that quite a number of these moneys are neither spent nor returned.

What does it mean?—A. The Consolidated Revenue and Audit Act provides that at the end of March all balances in votes which have not been spent shall lapse and be written off. In other words, the power of the department to spend the money is cancelled. The money, however, is in the Treasury. It is a figure.

Q. But as I understand it, according to this editorial that has not always been done. Is that correct, or are they mistaken?

The CHAIRMAN: It depends on the word "returned"; that is the point at issue. It cannot be returned because it never left the department. The department is authorized to spend it, but if it does not spend it, it lapses, so it cannot be spent. But as it has never left the Treasury, it cannot be returned. You cannot return a thing which has never left.

Mr. FRASER: But do they not get it on their estimates for the following year?

By Mr. Thatcher:

Q. You do not find any cases where they spend it the following year instead?—A. They cannot spend it.

Q. Then I must take it that this article is incorrect.—A. You have to bear in mind that each government has its own plan. This government had a different plan a few years ago. Before this present Act came into effect, each department had a letter of credit which they spent and then made a settlement with the Department of Finance later on. Therefore there was a return of unspent balances in the letters of credit. But the modern practice, so far as the government of Canada is concerned, is that there are no letters of credit and therefore the money does not leave the Consolidated Revenue Fund. It is just written off.

By Mr. Sinclair:

Q. That has not been done since 1931, has it?—A. No, not since 1931.

The CHAIRMAN: Are there any more questions on Item 13?

By Mr. Ashbourne:

Q. With respect to the amounts which are allocated and passed by parliament for expenditures by different provinces—consider the province of Newfoundland for which some allocation has been made—what about amounts which are not spent? I presume they go into a dropped balance, or lapse? Do they have to come up for a revote in another year before they can be spent?—A. Might I ask what you have in mind?

Q. I refer to the allocations or appropriations that are made concerning, let us say, public works in Newfoundland. Supposing they are not spent in a given year in which they are allocated: what has to be done to get them into operation?—A. A new appropriation, sir.

Q. You mean just a re-vote?—A. You can call it a re-vote or a new appropriation whichever you like. It means the same thing.

The CHAIRMAN: Item 14?

Q. What about the item "Active Assets"? Can you tell us if that means accounts receivable or accounts in connection with some contract which will materialize at some future date? I would like to know about it? Could you give us some information about this \$75,000,000 which has been ear-marked? Was it ear-marked in a general way or was it set up to take care of some definite loss?—A. This reserve started out, sir, about ten years ago at \$25 million a year. Then more recently the Minister of Finance increased it to \$75 million a year. In my previous reports I have taken exception to it on the ground that it was not established to us just how this figure was computed. Now, the Minister of Finance is a prudent man and he does not desire to have his financial position over-stated. So he takes into consideration the fact that he has got a large number of loans outstanding, some of them to provinces, some to foreign governments, to the Canadian National Railways, and to various other objectives. So this reserve is predicated upon the assumption that if he tried to realize on those assets at the value at which they are set up in his balance sheet, he might not get that money. Therefore, in order to be honest with Parliament, he has set up a reserve. We do not take in accounts receivable. Take for example the case of someone who is assessed for income tax but has not paid it.

Q. That is not taken in?—A. No, sir.

Q. I wonder if you could explain why there has been an increase since the year 1949-50 of \$75 million? There must be something there which is not going to materialize?—A. That is something for which you would have to get your answer from the Department of Finance.

Q. But speaking as an auditor, would you not question this increase, or would you not ask for reasons for it?—A. I have challenged it in the past and I have noted it in reports coming to this committee, but this committee has not been interested, so I have not repeated it. I think this is the first time the question has been raised.

Q. But in the course of your audit, did you question the \$50 million?—A. Not this year, sir.

Q. You did not?—A. No, but I did two years ago.

Q. You have no idea what the \$50 million increase is for?—A. No.

By Mr. Thatcher:

Q. Could you tell us what the total of that reserve is now?—A. You mean the total amount?

Q. Yes.

By Mr. Macdonnell:

Q. Yes, and tell us what it is invested in?—A. Oh, it is just on paper, a bookkeeping entry.

By Mr. Thatcher:

Q. Thank you, Mr. Sellar. And I might say that in the meantime Mr. Bryce has pointed out to me that the sum amounts to \$320 million.—A. I knew it was about that figure.

Q. Could you tell me this: In the past three or four years what has been done with respect to moneys owed to us by foreign countries? Have those moneys just been written off against this reserve?—A. No, sir. Parliament a few years ago authorized a write-off against this reserve in connection with loans to the Prairie provinces. There was legislation adjusting them, and they were written off in the current year. An item of \$1,800 in connection with a loan made to a company out in the west during the war was written off in 1949-50.

Q. Now, with respect to the main purpose of this reserve for loans made to foreign countries, such as loans made after the war to Greece, to Great Britain and to countries of that nature, what have you to say about that?—A. To obtain an answer to your question, you would have to ask the deputy minister of finance or the Minister of Finance. I have explained the principle as to how it was computed.

Q. As far as these debts are concerned, could you tell us if the payments have been made up to date or are any of these foreign countries behind in their payments?—A. Certainly. Greece and Roumania have been in default for many years.

Q. Do you not think it would be more sensible to write them off against this reserve?—A. We have got no power to write them off. Parliament alone has the power to write off this kind of debt.

Q. So what we are doing is to set up a reserve and then not using it.—A. The government is setting it up. They are trying to be realistic in saying what the assets of this country might produce upon realization.

Q. But we are setting up a reserve and not using it.—A. Yes.

Mr. CRUICKSHANK: Are we going to collect that money by sending an important delegation to 12 countries for the purpose? Is that it?

Mr. SINCLAIR: Next year!

By Mr. Maltais:

Q. With respect to the item of \$62 million. Is that a special reserve and does it apply in your case?—A. What is that, please?

Q. Under item 14.—A. You mean that \$62,293,000?

Q. Yes.—A. The legislation whereby Newfoundland became part of Canada provided as follows, and I quote the particular paragraph which is number 23:

23. Canada will assume and provide for servicing and retirement of the stock issued on the security of Newfoundland pursuant to the loan act, 1933, Newfoundland, and will take over the sinking fund established under that act.

Q. Why did you call it "another exceptional charge"?—A. It shows that they have got to show it as a liability of Canada. They show it first as an expenditure. The money will not be paid out until the holders present these securities for redemption when they mature. The money will be paid out over several years.

Q. Oh, I see; "exceptional charges". Would you say that the charges that have been made this year are ones which you would consider to be "exceptional"?—A. This is an unusual charge because this is the only time it ever happened, and that is the reason why the word "exceptional" was used.

By Mr. Macdonnell:

Q. I want to go back to an answer the Auditor General made with regard to the large amount involved in "investment". I do not quite understand what he said. In this financing, where the government build up a reserve, do they follow the practice which is common with commercial companies; a commercial company, a private company, builds up a reserve out of income and when it has a loss it charges that loss against the reserve, it recoups itself in that way. What happens, for instance, in connection with this \$62 million more in Newfoundland—when it comes to be paid, what happens? Where does the money come from?—A. The Consolidated Revenue Fund..

Q. Of that particular year?—A. Yes.

Q. In other words, it does not mean a thing?—A. Not at the moment. We have to put it in to show our liability. It is a bookkeeping entry.

Q. As I understand your answer, if I understand it correctly, we would set up a reserve, a pretty thing to look at, but when we come right down to it this \$62 million that is to be paid has to be collected in the form of taxes and paid out in that year.—A. You are correct, sir, save that there is a sinking fund attached to it, and that sinking fund is accumulating now.

Q. In other words, this reserve is not a real thing. It does not get the money out of which we eventually make the payment. I am not criticizing the set-up, I just want to be sure that we understand what it is.

Mr. MALTAIS: In other words, the only sinking fund the government carries is the Consolidated Revenue Fund; is that it?—A. Not strictly speaking; that sinking fund is related to a particular application, while the Consolidated Revenue Fund is for the general operation of the company as a whole.

By Mr. Fulton:

Q. What it amounts to then, is this, that you do not build that reserve fund up out of securities or cash placed in it?—A. You see, this thing here, as I said to Mr. Macdonnell, is a bookkeeping entry at the moment; and it is a subject which I hope will be taken care of in the consolidated revenue and audit act provision; namely a means for a tabulation of real worth securities. As was suggested a few minutes ago, a commercial corporation builds up a reserve for bad debts and it uses that and charges off against it each year, that is taken into account by the income tax people in assessing the company's income.

Q. In other words, it represents the value of the investment?—A. Yes. In this case there is really no reason for setting up this reserve, because expenditures cannot be made from it without parliamentary appropriation, as was done in the case of the adjustment made with the Prairie provinces in connection with relief during the 1930's. In that case, parliament authorized a write-off, and this reserve was reduced proportionately by the amount of that write-off.

Q. What I am trying to get at, is this: the Minister of Finance is not actually putting the money into this reserve, if he wanted to use money for the purpose of reserve he would have to go to parliament for it?—A. Yes, he would have to go to parliament for it.

Q. So actually we have no reserve fund at the moment?—A. No sir.

Q. Nothing in the way of a cash reserve fund at all, it is just an entry on the balance sheet.—A. That is it.

Mr. MACDONNELL: Unemployment Insurance, for instance.

The WITNESS: Yes, there are various funds—

Mr. MACDONNELL: I did not mean appropriated for a specific purpose—

The CHAIRMAN: One member at a time, please; the reporter cannot take down more than one member speaking at a time, if you don't mind.

By Mr. Fulton:

Q. What I mean is that this sinking fund is only an accounting entry; there is no large reserve fund as yet, no cash? Has parliament ever made any appropriation for a general reserve fund?—A. No, sir. You don't want me to go back into ancient history?

Q. No.—A. Currently, to my knowledge, no.

Q. Is this \$300 million shown on the balance sheet?

Mr. MAJOR: So, as a matter of fact, you have that reserve fund set up so that when we look at the balance sheet we get a clear picture of it?

The WITNESS: That is the intent of the Minister of Finance, to be honest with parliament, believing that what he shows in that instance may not be fully realized, he sets up this reserve provision.

Mr. MAJOR: It would be a current liability.

The WITNESS: Precisely.

Mr. MACDONNELL: But that would be the sort of thing that he would mention in his budget speech, that it is not shown as an expenditure.

The WITNESS: Yes, as a rule he makes some reference to it in his budget speech.

The CHAIRMAN: Item 15?

By Mr. Thatcher:

Q. On Item 15, I wonder if Mr. Sellar would explain to the committee, or at least, would explain to me; what exactly a "special warrant" is?—A. The Consolidated Revenue and Audit Act provides, sir, that in the event of an emergency arising doing damage to a public building or a public work, or for any like case, when there is no appropriation available and parliament is not in session and it is necessary to take action at once to put that work back into working operation, then the minister concerned may apply to the Governor in Council for the issue of a warrant, signed by the Governor General, authorizing him to spend "X" thousands of dollars for the repair of this particular work.

Q. Does parliament have anything to say about it?—A. I wonder if I might, before answering your question, apologize to the committee with respect to the wording of paragraph 15. You would infer from that paragraph that there was only one such warrant; actually, there were four; I overlooked the other three, and that is why I am apologizing. In the case of vote 215, that was in connection with the Yukon road, the work was proceeding and they ran out of money in the middle of the year and a warrant was issued for \$195,000. In connection with vote 434, which was for the Fraser River Dyking Board, it ran out of money and two warrants were issued for \$750,000 each. And now, in the Appropriation Act of that year, sir, all of these warrants were taken in, and actually I do not think there was any necessity for my making any reference whatsoever to the warrants; but, since I have put in one I should have put in the other three, and that is why I should now give this explanation. There were three others, and the Appropriation Act included "provided, the amount hereby authorized to be paid and applied in respect of items 215, 339 and 434, set forth in such Schedule A are to be deemed to include and not to be in addition to the amounts authorized—." So parliament had already disposed of these warrants.

Q. This building in Vancouver, would that amount be charged against this reserve?—A. That is the Begg building you have in mind?

Q. Yes. Would that building come within the terms of the section you mentioned a minute ago; an emergency, the repair of some building?—A. That, sir, is governed by what is known as the Oliver Mowat opinion, given in 1896; when after the general election of that year the Tupper government was defeated; and parliament had automatically gone out of existence through lapse of time before the Appropriation Act had been passed. Sir Oliver Mowat was Minister of Justice in the new government, Sir Wilfrid Laurier, the then Prime Minister, wrote to him and asked him what authority, if any, he could rely on to provide for the operation of the public service and for the payment of salaries to civil servants until parliament could be summoned. Sir Oliver Mowat ruled that under this particular section, which has always been in the act, that authority was vested in the Governor General, that the Governor General had the discretion to decide when something was necessary and had to be done. That precedent, sir, was followed in 1926 when the Liberal government went out of office and the Meighen government came in and there was an election being held during the summer before appropriations had been made. The government of that day relied on the same authority for the financing necessary to carry on the public service of that time. It was again found valid in 1940 when, you will recall, the House was dissolved just at the end of the fiscal year and there was

no appropriation possible until the new House had been elected and sat later on in the spring. This section of the Consolidated Revenue and Audit Act—this section 25 has been considered to be quite general in its meaning.

By Mr. Thatcher:

Q. Might I just interject for a moment? This practice I suppose is necessary; it can be dangerous. I was just wondering if there is any act which would put a limit on these warrants. Is there any limit on it? Can it be used for any amount at all?—A. There is no limit, sir; but there is this limit; I have been associated with the financial administration of Canada as a public employee for twenty-six years. In that period of time there have been four Prime Ministers, and each of these Prime Ministers has fought the departments, and so has the Minister of Finance, when they have sought a warrant. Each of the Prime Ministers has disliked the use of a warrant, and only when a very good case can be established showing that it would actually save money to the country by doing something would they consent to a warrant. So it has not been abused, sir.

Q. What would happen if parliament had refused to confirm this warrant? Suppose it had refused to pass it; what would have been the position then?—A. The position would have been that the money was spent.

Q. It had no choice, in other words.—A. That is a delegation which parliament has made by legislation. A warrant does not need to be ratified by parliament.

Q. It did not require to be approved?—A. No, sir.

Q. I thought parliament was the only one in this country that could spend money?—A. It means that Parliament by Section 25 has delegated power to the Governor General in certain circumstances to make issues by use of warrants. That is in the Appropriation and Audit Act, Section 25.

Mr. FULTON: That would take the place of the Appropriation Act?

The WITNESS: It has the same effect as the Appropriation Act.

By Mr. Thatcher:

Q. But to what extent might it be used? Would it be used so generally as to become dangerous?—A. This section does not worry me because I have seen what the Prime Ministers have done over the years and the view which the Ministers of Finance take when such a request comes to them. And, I think it was necessary in these cases. I don't know much about the building which you mentioned, but I had a look at the others to which I referred. Let us take this item 215 where there was a warrant for \$125,000 for the road. They were constructing a road up into the Yukon Territory, the season was dry and they were able to make an early start and they wanted to get the road finished. The road crews had to be taken in there over long distances and they had made unusually good progress with the result that they used up the half of the appropriation authorized by parliament by the end of June. It was either a case of arranging to proceed with that work or to pull those crews out and send them back in again later on, and it was considered desirable that the work should continue while the crews were in there and in that way save money, and they gave this money by way of warrant for the amount which parliament had already granted, and one half of which had been covered by vote before the House dissolved.

Q. Hve you any idea how many of these warrants have been used during the past fiscal year?—A. These were the only ones.

Q. How much was in them altogether?—A. There were only the four and in each case there was already an appropriation before parliament for the amount that was covered by the warrants. You will recall that before parliament

dissolved before the election that year it gave a six month grant of supply; that is, one half of the amount of the votes; and the other half was voted by the House after the new House convened; in no case did they exceed the amount of the appropriation.

Mr. MALTAIS: What is the section?

The WITNESS: Section 25 of the Consolidated Revenue and Audit Act.

By Mr. Sinclair:

Q. Would they limit it as to the amount authorized?—A. It provides funds for works that are to be proceeded with forthwith and is restricted to the amounts actually necessary—not to exceed “X” thousands of dollars.

By Mr. Cruickshank:

Q. What about these fixed fees on contracts? Are they limited amounts?

I see here that these people are to get, I think it is 12 per cent.—A. No, a percentage rate may be taken into the calculation, but the amount of a fixed fee is not stated in the form of a percentage.

Q. Is that the same thing as what you call a management fee?—A. Not quite, sir; no. A management fee would recognize certain costs that a fixed fee would not.

Q. How do you arrive at the amount of such a fee?—A. That is a matter of negotiation.

Q. It is a matter of negotiation?—A. Yes, sir.

Mr. MACDONNELL: I would like to ask another question about that. I understood the Auditor General to say that there was a discretion vested in the Governor General. Did you not mean the Governor in Council? Did you mean that the Governor General is the man who decides whether this warrant should be issued or not?

The WITNESS: The Governor in Council did. If you would like me to I will read the section to you.

The CHAIRMAN: All right, go ahead.

The WITNESS: It is Section 25, it is a fairly long section.

The CHAIRMAN: I think it would be better to have it in so that everybody may have a clear idea of what it contains.

Mr. SELLAR: Section 25 reads:

25. (1) If, when Parliament is not in session, any accident happens to any public work or building which requires an immediate outlay for the repair or renewal thereof, or any other occasion arises when any expenditure, not foreseen or provided for by Parliament, is urgently and immediately required for the public good, then upon the report of the Minister that there is no parliamentary provision, and of the minister having charge of the service in question that the necessity is urgent, the Governor in Council may order a special warrant to be prepared, to be signed by the Governor General for the issue of the amount estimated to be required, which shall be placed by the Minister to a special account, against which cheques may issue from time to time, in the usual form, as they are required.

(2) The authority to make expenditure under such warrant shall lapse and any unexpended balance be written off at the end of the fiscal year in which the warrant is given: Provided that during a period not exceeding thirty days subsequent to the end of the said fiscal year, issues out of the Consolidated Revenue Fund may be made for an amount or amounts not exceeding the amount of the expenditure authorized

by the said warrant, for the purpose only of discharging any debt properly incurred and payable prior to the end of the said fiscal year, which may be outstanding and chargeable thereto and which for good reason was not paid within the said fiscal year, and such expenditure may be charged in the accounts of the said fiscal year.

Mr. SINCLAIR: How long has that been in the act?

The WITNESS: That has been in the Act since 1878.

Mr. MACDONNELL: It seems to me, Mr. Chairman, that the case which Mr. Sellar gave us in 1896, and the other one in 1926, may have been justified, but in view of the wording of that section which says that where an accident has happened, or something unforeseen has happened, a warrant can be used where no provision has been made by parliament.

Mr. CROLL: That is to meet an urgent requirement, where money is required urgently.

Mr. MACDONNELL: All right, you can interpret that for yourself. And now, my feeling is that I just can't see any reason for any warrant being issued here. I gather from what the Auditor General has told us that this has been very sparingly used, and I would think we had a very creditable record in the past; but frankly, I am still unable to understand why this should have been done that way at all.

The CHAIRMAN: In this case, might I say, the accident was the election that took place.

Mr. MACDONNELL: No, Mr. Chairman, to make sure of that I looked up to see whether it was before the election and I found that it was not.

The CHAIRMAN: But may I point out that it was covered by an appropriation. Parliament had already voted half of it before and they wanted to go ahead and finish the work while conditions were favourable. With respect to the six-month supply which had been voted by parliament, they went ahead and used that; then this Governor General's warrant merely authorized the use of the remaining amount of the appropriation, pending the authorization by the new parliament after it sat.

Mr. MACDONNELL: Well, Mr. Chairman, my understanding of it is that this was for unforeseen and exceptional occasions. This does not seem to me to be unforeseen at all. They all knew what was going on, this work was in existence. I do not want to labour this or take up the time of the committee unduly, but I cannot feel this particular case comes anywhere near within the sort of thing the Auditor General just read to us. I listened very carefully when he was reading it and I do not think it comes within the wording of the section.

The CHAIRMAN: The amount was in the Appropriation Act, it had already been voted with respect to six months' supply and progress on the work was in such a stage that more money was needed, and they used a warrant for that purpose in that way.

Mr. MACDONNELL: That is what they did.

By Mr. Fraser:

Q. In your opinion would a warrant be issued for a defence expenditure in an emergency?—A. You are asking a very general question.

Q. Yes.—A. We have in the past had warrants issued for defence purposes when parliament was not sitting.

Q. That is right?—A. Yes, there were a number of instances where warrants were issued. I can also remember an instance where a substantial warrant was issued before the last war for defence purposes, but the international situation

improved and the government forthwith cancelled the warrant and did not charge a cent against it. That is why I say, don't get unduly disturbed over the obligation of that section, because the government of the day—and in referring to two different party governments—has always been very careful in using that particular section.

By Mr. Thatcher:

Q. What I can't understand—I can see where the Governor General's warrant might be used, where a Governor General might want to use it; but why does he do it without having to come before parliament for ratification?—Parliament never required it, sir.

Q. Does not the law expressly demand that parliament approve all expenditures of money?—A. The only time this particular section came before the courts was in Transvaal. You will find that most of the legislatures in the British Commonwealth have a similar provision. Now, in the course of the last session of the government of that day in Transvaal parliament before they were merged into the government of South Africa. They had a special provision in their House of Commons act which provided that for a short session they would only get so much per day, unless the House should declare it to be a general session, in which event they got more. On this occasion when the Transvaal House met they were there for seven days and wound up their business and their last business was to declare that this was a general session and that they should be paid the full amount. Some of the senators took umbrage—I am a little ahead of my story—they did not make an appropriation for it, and after the thing was over they applied to the Governor General for a warrant for the amount which they had coming to them. Some of the senators took umbrage at this and they proceeded by way of an injunction against making the payment. This went before the court and the court took the view in this particular case that the members had knowledge of what they were going to do and could have appropriated money for themselves had they wanted to, but they threw out the application on the ground that the applicants lacked status to apply for the order.

Mr. CRUICKSHANK: They should have thrown the Senate out with it.

By Mr. Thatcher:

Q. That is the only time that has been before the courts?—A. That is the one case I know of.

Q. And it was thrown out?—A. You will find it in practically any of the legislation for countries in the British Commonwealth. This case went to the Appeal Court.

Q. Well, Mr. Sellar, how can a member of parliament find out whether warrants of this kind are being used?—A. Right in the public accounts.

Q. What about this item 215 which you mentioned? Where would we find it?—A. As a matter of fact, as I said, those expenditures are shown as recorded against particular votes, because of the special language parliament inserted in the Appropriation Act of that year.

Q. There is no place where parliament has to pass that again?—A. Yes, sir. Actually, so far as these are concerned, you voted the full amount when you passed votes number 215, 339 and 434.

Q. In other words, parliament did pass these special warrants later on?—A. You did in that case.

Q. But we didn't have to. Mr. Chairman, I think it is up to us to make a recommendation—A. That, sir, is a matter—if I may interrupt you—I do not think it is a matter that you need to make a recommendation on because,

as you know, there is going to be a revision of the Consolidated Revenue and Audit Act, and I imagine they will include the section again, and when it is in committee in the House I would think would be the time when that could be considered.

Mr. SINCLAIR: As has been pointed out, these warrants are used only to meet emergencies, to make money available when parliament is not in session. As Mr. Sellar pointed out, parliament is going to have an opportunity of considering a revision of this Consolidated Revenue and Audit Act.

Mr. THATCHER: It is all very well to say that, but there is nothing here, as far as I can see, to prevent them from spending millions of dollars if they want to without any parliamentary approval. I thought only parliament was supposed to pass money.

Mr. RICHARD (*Gloucester*): Another thing I do not understand, there is, you say that the money spent by the special warrant was later on passed in the form of an appropriation?

Mr. FULTON: Just in this one case.

The WITNESS: These were exceptional cases, sir. You will remember that before parliament dissolved it voted one half of the items in the estimates. In this case they proceeded to use the one half that had been voted for this road contract, and then when they saw that a considerable saving would be made by keeping the crews in there and going ahead with the work they arranged to proceed with it by way of Governor-General's warrant which made available to them the other half of that appropriation, an appropriation which was later voted by the House.

By Mr. Thatcher:

Q. But suppose we hadn't done that?—A. The Governor-General's warrant stood.

Q. Was it necessary for us to vote it a second time?—A. You did vote it; I think it is sound accounting that you did so.

Q. But, Mr. Chairman, if this has not been abused in the past is there any reason that there might not be abuse in the future of what is a dangerous practice? I think this committee should make some recommendation on it.

The CHAIRMAN: May I point out to you, Mr. Thatcher, that we have been told that this Act is coming before parliament for revision this year and that will afford you an opportunity of reviewing this section. If you have any suggestions to make you can make them when the bill is before the House in committee; and I suggest that that would be better rather than to do so in this committee. You will have an opportunity when the bill is up for consideration in the House to make your recommendations of any changes you think desirable.

By Mr. Fraser:

Q. Is there any similar situation in the United Kingdom with respect to this practice?—A. No, sir. United Kingdom for a good many years have had what they call a treasury chest fund which they build up to meet emergencies by appropriating certain sums of money each year until there now is a fund of many millions of pounds, that is held under a special act for particular purposes similar to this.

Mr. THATCHER: That would not take care of this \$65 million Mr. Gardiner went over there to get and came home without?

The WITNESS: No, I think not. And another reason is that over there parliament is in session practically the whole twelve months of the year.

Mr. MACDONNELL: Can Mr. Sellar tell us, or does he know, based on what happened to these four cases, why parliament was asked in each case, or had

to ratify the expenditures? Has it been the practice in Treasury Board or in the Department of Finance to have these warrants ratified? I understood him to say that under this Section 25, they do not require parliamentary approval; that parliament gave authority for the use of warrants through that section. I was just wondering whether these are four isolated cases which happened in this one year?

The WITNESS: No. Frankly, there are so few warrants issued over the years that one's memory becomes insecure; but my impression is that the Minister of Finance almost invariably provides in his supplementary estimate for the sums involved in the warrants, what might be considered a form of ratification for warrants; but Mr. Bryce, for example, of the Department of Finance, would have to deal with them—he could tell you better than I can what the general practice is. Speaking from memory, that is the way it has been done, but if you wanted to be 100 per cent right you would have to ask someone from the Department of Finance who is responsible for the estimates.

Mr. MACDONNELL: Mr. Chairman, it does seem to me there is something here on which this committee might like to make a recommendation, and in view of the fact that this Act is coming up for revision in the House, I think we should not wait until the end of the session to consider doing so.

The CHAIRMAN: We might make a note of it and bring it, to our attention again as soon as we have finished reviewing the Auditor-General's report.

Mr. MACDONNELL: That is what I had in mind.

The CHAIRMAN: Item 15 will stand, then.

Mr. MAJOR: I move that we adjourn, Mr. Chairman.

The CHAIRMAN: It is only half past twelve, Mr. Major.

Mr. MACDONNELL: We have made good progress so far, Mr. Chairman.

Mr. FRASER: Oh, let us go on until one o'clock.

The CHAIRMAN: I am in the hands of the committee. Shall we go on then to Item 16, or shall we adjourn at this time?

Mr. FRASER: If we are only going to have five meetings on the Auditor-General's report, I think we should take up the full time.

The CHAIRMAN: That is why I suggested that we go on until one, but I am in the hands of the committee. I think we ought to give full two hours to our meeting if we are going to have but five meetings with the Auditor-General. Are we in agreement to carry on until one o'clock as usual? Then Item 16.

Mr. THATCHER: Mr. Chairman, I remember that last year again the committee made this recommendation that the Revenue and Audit Act should be amended to authorize the writing off of uncollectable debts which have accumulated up to 1940 in the government accounts, and it also suggested that Treasury Regulations be made for the writing off yearly of debts which were not collected within the previous ten years. Might I ask if anything has been done about that yet?

The CHAIRMAN: The session has started, but the estimates in their new form are not before us yet. So we do not know whether they have accepted our views. I do not think we ought to ask the Auditor-General to answer the question. The estimates will be tabled, whereupon we shall see whether they have accepted some of our views. At the moment we cannot judge, nor can the Auditor-General tell us.

Mr. SINCLAIR: Mr. Thatcher asked if they have been given consideration.

Mr. THATCHER: No, I asked if they were doing anything about it. Maybe the parliamentary assistant would know now.

Mr. SINCLAIR: I said that the recommendation of the Public Accounts Committee would be given very close consideration during the process of revision of the Consolidated Revenue Act; and when the Act gets its first reading, you will see to what extent the recommendations have been accepted. They certainly have all been considered.

The CHAIRMAN: That might be the time to make recommendations and observations. Item 16?

By Mr. Fraser:

Q. Under item 16 I read:

Foreign Exchange Control Board \$250,000,000.

I wonder if Mr. Sellar could tell us what came into the Consolidated Revenue Fund? Was there any of that money which came back into it?—A. The Foreign Exchange Control Board is required to turn over its profits each year to the Receiver-General, and of course they do so. I am not sure what they were.

Q. I wondered what it really cost Canada to carry that on.—A. Ordinarily, the Foreign Exchange Control Board is a profitable venture.

Q. Oh, yes.—A. It is only when there is a change in the valuation of our currency in reference to that of the United States that they have trouble.

Q. I wonder about that year. That was the year when exchange was high, was it not?—A. There was a change that year, sir.

Q. It was set at 10 per cent. I wondered if there was any loss that year.

Mr. MACDONNELL: When we make losses they are only book losses.

By Mr. Fraser:

Q. Yes, but the taxpayer pays them.—A. In paragraph 68 of my report I make some reference to the Foreign Exchange Control Board. There you will see in the last sentence this statement:

After this was done, a revaluation surplus of \$46,453,000 remained, but the amount is not reflected in the Balance Sheet of Canada.

That was on revaluation of their assets as a result of change in the currency rates.

Q. How much was it?—A. \$46,453,000.

Q. So there was a definite loss?—A. No. That was a "revaluated" surplus.

The CHAIRMAN: Are there any questions on Item 16? Item 17?

By Mr. Fulton:

Q. I do not understand the significance of this item Mr. Chairman. Why is it brought to our attention in the report?—A. You mean Item 17?

Q. Yes—A. Because there is an asset of approximately \$20 million in the balance sheet of Canada in that year which represents a debt owing by Central Mortgage and Housing Corporation to the Government of Canada on these debentures. When the Department of National Defence takes over that housing, the debentures are cancelled and in the following year the assets of Canada will become \$20 million less than they were in that year. So my sole reason for putting this item in was to show you that there was a \$20 million asset item which will disappear as soon as that housing is taken over.

Q. But the debentures have not been cancelled yet, have they?—A. Yes, sir. Under the authority of vote 821 of 1950-51 which is the following year, they are taken over and cancelled.

Q. I see. They will be cancelled as they are taken over?—A. As the housing is taken over, the debentures are cancelled.

Q. Will not the balance sheet reflect the addition of those houses?—A. No, sir. They are not taken in.

Q. Why is that?—A. They never have been.

The CHAIRMAN: They are physical assets.

The WITNESS: We never take in capital assets of the departments. They are not taken into the balance sheet. That subject was discussed at great length here last year.

By Mr. Fulton:

Q. Then I shall not go into it now. But do you consider it sound to cancel the debentures?—A. There is nobody to pay for them. The Department of National Defence is just a part of the Government of Canada. It cannot owe to itself.

Mr. CROLL: It is always good practice to cancel debentures, is it not?

By Mr. Johnston:

Q. Would that show in the audit as an increase of net debt?—A. Yes, sir, next year.

Q. It will show next year which means that we have gone that much further into debt.

The CHAIRMAN: Item 18?

Mr. MACDONNELL: No, Mr. Chairman.

The CHAIRMAN: I am sorry.

By Mr. Macdonnell:

Q. I wonder if the Auditor-General could explain this passage which says:

The rentals collected were used by the department to reduce charges to its vote for pay and allowances; thus augmenting its appropriation with revenues obtained from the investments of a crown corporation.

I wonder if you might just explain once again the effect of that upon the Department of National Defence? Could you not trace a transaction through for us?—A. Let us say there is a soldier located in a camp. That soldier is entitled to a certain amount of pay. He is entitled to a cash amount as well for quarters, married quarters for himself. That is a charge, when he is paid each month. That is a charge to the vote for National Defence in this instance.

Q. What becomes of the money to which he is entitled for housing?—A. That becomes his. He gets that money.

Q. And he pays rent?—A. Yes. Now, in this case let us say he was accommodated in housing provided for him by the Department of National Defence instead of their paying him cash money. As it is here you have got quarters provided by us. We are not going to pay you in cash. Let us say that the rent amounts to \$20. They will have then that extra \$20 available for some other purpose in their vote.

Q. The buildings are built but when the rental is paid, it is not applied on the cost of the original construction of the house in which he lives?—A. No. It is re-credited.

By Mr. Cruickshank:

Q. Would that not be better for a soldier. He has the house; and surely it is not going to be the practice of the government when a \$5,000 house is paid for, to go on charging him the same rental?—A. The house is owned by the government right from the start.

Q. Yes; but if you multiply, let us say, \$30 a month rent over a certain period of years, a \$5,000 house will become paid for.

Mr. JOHNSTON: It is never paid for; it is added to the national debt, as it is now.

Mr. CRUICKSHANK: That is what I am trying to get at. I have a large number of such houses in my riding. They are the finest houses of their kind in Canada. But I do not want to see these veterans going on paying, let us say, \$30 a month forever if it is just a bookkeeping entry and is not credited against the original cost, as I see it.

Mr. MACDONNELL: Does not Mr. Cruickshank's question raise this point: Is there any record kept of the cost? And is there anything to show what in fact these veterans have paid?

Mr. CRUICKSHANK: That is what I am getting at.

Mr. FRASER: As I understand it, these are houses which are built in military camps. Now, the men who now occupy them previously received allowances on account of being away from home. They received allowances because they had to board their families. But these men who are in these camps are not to be there permanently. They are changed from time to time and therefore they are not buying their homes. So whatever they pay in the way of rent is allowed to them out of what their allowance otherwise would be, such as \$20, or something in that order.

Mr. CRUICKSHANK: What I am trying to get at is: they can change the soldiers in the camp from time to time. There may be five different soldiers occupying the same house within a year, but those five different soldiers would be paying rent. Surely that house is never going to be paid for, I mean the original cost of it, until that rent money is credited to that account.

Mr. MACDONNELL: It looks as if it were rent and nothing else.

By the Chairman:

Q. Let us hear from the Auditor General about it.—A. What happens is this: I can see Mr. Cruickshank's argument. His view is that a fellow who pays rent for a great many years ought to acquire some equity in his house. But we all know that if we rent a house we get no equity in that house. The landlord looks after the maintenance of the house. He maintains the house in whatever state he thinks fitting. He might let the house become run down. In that case he might get that much less rent from the individual. No, then, in this case, the government decides for public reasons to construct quarters for married men or single men, as the case may be—married men as a rule. It charges rent to the men who want to occupy those quarters. Now, over a period of years the government has either to maintain those houses to a certain standard or the men will refuse to live in them and go out and get quarters outside.

Mr. CRUICKSHANK: If they are available.

The CHAIRMAN: The men receive no special allowance?

Mr. CRUICKSHANK: No special allowance—

The WITNESS: In lieu of quarters.

Mr. CRUICKSHANK: They are receiving a living allowance, I think \$40 a month.

Mr. FRASER: It varies.

Mr. CRUICKSHANK: They are not receiving a special allowance. They are receiving a living out allowance according to rank. I am interested in this thing and I have brought it up before. I do not think the government should be in the real estate business and the rent should be reduced. My argument is that the houses will of course be kept up and, if I build a house out here as an investment and I get rent for a long period of years I get my capital back.

Mr. FULTON: Then you are charging too much rent.

Mr. CRUICKSHANK: If it is never credited to an account how do you get the figure.

Mr. CROLL: The government always charges the men less rent than they would have to pay under similar circumstances outside the camp. The result is that the houses are never going to be paid off because the rents are so small.

Mr. CRUICKSHANK: No matter how small the rent is you eventually pay it.

Mr. THATCHER: Does not this boil down to the argument we had last year that if these Crown corporation assets and liabilities were put in one place and the accounting done in such a manner that they were treated as separate entries then we could get a proper figure.

The CHAIRMAN: This is not a Crown corporation; it is the Department of National Defence.

Mr. THATCHER: It is a separate entity of the government and these things are wound up in the public accounts so you cannot tell where you are at.

The CHAIRMAN: This will be included in the Department of National Defence accounts and you can go into it then.

Mr. THATCHER: Well, last year it was the same thing, and I would like to know why these things are not all in the same place.

The CHAIRMAN: Well ask the government then, do not ask me.

By Mr. Fulton:

Q. There are a couple of questions arising out of what Mr. Sellar told us which I would like to ask. As I understand it the Department of National Defence, instead of paying the men a living allowance, takes the position that because it is now providing them with quarters the allowance is not payable and they use that allowance for other purposes.—A. They can use it—

Q. They can use it for other purposes. Then, are we not making a double appropriation to the Department of National Defence. \$20 million worth of houses in the first place, plus the net result of what these living allowances amount to—say \$5 million or \$6 million in camps where this practice is followed. That makes this money available for purposes other than living allowances. Is that sound practice? Is there not some way in which that can be prevented? Are we not in effect giving the Department of National Defence more money than they are asking for in their estimates?—A. I do not think so, sir, because it is true you appropriated this money as a loan to the Central Mortgage and Housing Corporation. It is quite true you did it that way.

Mr. CRUICKSHANK: For army camps?

The WITNESS: Now it has reverted back to the Department of National Defence by a subsequent appropriation.

It seems to me that if this subject interests you you might discuss the various matters with national defence people when they are here rather than with me, because I am sorry but my knowledge is somewhat limited with respect to their internal operations.

By Mr. Fulton:

Q. From the point of view of accounting I was wondering whether this is normally permissible?—A. Remember this is the first time we have had housing construction under this plan. Other construction work for the Department of National Defence was paid by it directly.

Q. Would it not be a sounder procedure to say that this money which is now not being paid to the men for living allowance should be reserved by the

Department of National Defence in a fund for the maintenance and upkeep of these houses, instead of for some other purposes which the department may wish to spend it on?

Mr. MALTAIS: I would say that would be a matter of policy of the government.

By Mr. Fulton:

Q. I am asking from the point of view of accounting procedure?—A. From the point of view of parliamentary control money that comes in should be treated as revenue and in effect it goes towards the reduction of your original capital investment. If you want to keep parliamentary control do not have a multitude of special accounts in the consolidated revenue account or you will not know where you are.

Q. I can see that point, but it is difficult to keep track of it if you just leave it with the Department of National Defence.—A. I think that you will see that national defence is taking a suitable action to bring this thing into the harmony that you desire. I think if you will ask them when they are here you will find that out.

The CHAIRMAN: Can we proceed with item 18 and perhaps also item 19?

Mr. THATCHER: What was the reason, in item 18, that so much of public works money was allowed to lapse that year? Could you say Mr. Sellar? Was it a change in policy or something?

The WITNESS: I cannot tell you. It is spread over a number of votes.

Mr. MALTAIS: It might be an economy drive on the part of the government.

Mr. THATCHER: That would not have been under way a year ago.

The CHAIRMAN: It is under way at all times.

Mr. THATCHER: It was not very noticeable, Mr. Chairman.

The CHAIRMAN: That is a matter of opinion, of course.

Mr. MACDONNELL: I think a question does arise when one looks at some of these very handsome amounts which have lapsed.

The CHAIRMAN: As the Auditor General pointed out he does not know because he is not in the Public Works Department. It is only his task to compile the accounts and show where the money was spent.

Mr. MACDONNELL: Is it not fair to ask him if he has any comment to make. Superficially it strikes one as odd? Here you have \$184 million which lapsed. It looks like very generous budgeting.

The CHAIRMAN: That brings us back to what we discussed at length last year on the question of lapsing of estimates. Would the Auditor General care to make a comment?

Mr. MACDONNELL: Take one case, for instance. Here you have our friend the Minister of Health and Welfare who has neglected to spend \$18 million. That seems odd.

The CHAIRMAN: Have you any question of the Auditor General?

Mr. MACDONNELL: I do not know whether it is fair to ask because he said he could not tell about public works.

The WITNESS: All I can say, gentlemen, is that you will see in the introduction to the public accounts of each department a listing of their appropriations and the amount spent. If you run through there you can see the items which were not spent. I did not make a digest of them.

Mr. LARSON: With respect to National Health and Welfare a lot of the money voted for hospital work in Saskatchewan lapsed because the Saskatchewan government did not take up their share of the hospital construction.

Mr. THATCHER: That again is a matter of opinion, of course.

The CHAIRMAN: We are revolving around matters of opinion.

Have you any more questions of the Auditor General?

Mr. MACDONNELL: Well, he discussed some of the lapsing so perhaps we could have something on this.

Mr. MAJOR: When it comes to the end of the fiscal year and there is money not spent, do you think it is good policy to spend it just to cause an expenditure, or is it better not to spend it and have the money lapse?

Mr. CRUICKSHANK: Not if it is in agriculture.

The WITNESS: You will just have to remember, gentlemen, that I was brought up in the Department of Finance and it was my approach that a dollar spent was a dollar lost. There is, of course, disagreement with that.

Mr. MACDONNELL: Well in item 19 it says: "The lapsing in appropriations for National Defence was almost entirely in connection with vote 251, which was for defence research and development. The needs of the defence services were provided for by vote 250, 592," and so on—

In a case of that kind is there any explanation given to you or is it purely a matter of taking their decision on the point and leaving it?—A. Your question is with respect to the amounts of the accounts carried forward?

Q. I suppose the only point is that it does not seem reasonable that these large amounts should have been asked for and not spent?—A. No, that is because they were all spent and there were \$12 million worth of accounts ready for payment but they were not paid. That is the point.

Q. Well, I have not read it all.

The CHAIRMAN: Well, we are reaching the hour of adjournment and we are heading into a rather long item.

Mr. THATCHER: I would move that we stop at item 19.

Mr. MACDONNELL: Could we have 19 left open? "

The CHAIRMAN: Well, before adjourning may I say there is a limited supply of these copies of the Public Accounts of Canada. I would therefore ask the members to be good enough to bring their copies to the meetings because this morning we had to send down to the distribution office for more and we were advised that their stock had been exhausted.

The meeting adjourned to meet again at the call of the chair.



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Canada, Public Accounts,
Committee on 1951

CH/10/14
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STANDING COMMITTEE

ON

PUBLIC ACCOUNTS

CHAIRMAN—MR. L. PHILIPPE PICARD

MINUTES OF PROCEEDINGS AND EVIDENCE

No. 2

Thursday, March 15, 1951

WITNESSES:

Mr. Watson Sellar, C.M.G., Auditor General.

Mr. R. B. Bryce, Assistant Deputy Minister of Finance.

OTTAWA
EDMOND CLOUTIER, C.M.G., O.A., D.S.P.
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1951



MINUTES OF PROCEEDINGS

HOUSE OF COMMONS, Room 430,
THURSDAY, March 15, 1951.

The Standing Committee on Public Accounts met at 11.00 o'clock a.m., The Chairman, Mr. L. Philippe Picard, presided.

Members present: Messrs Anderson, Ashbourne, Balcer, Benidickson, Beyerstein, Boisvert, Brisson, Browne (*St. John's West*), Campney, Cauchon, Cavers, Croll, Cruickshank, Fleming, Fraser, Fulford, Fulton, Gauthier (*Port-neuf*), Helme, Johnston, Kirk (*Digby-Yarmouth*), Larson, Macdonnell (*Greenwood*), Major, Picard, Pinard, Robinson, Sinclair, Thatcher Wright.

In attendance: Mr. Watson Sellar, C.M.G., Auditor General; Mr. R. B. Bryce, Assistant Deputy Minister of Finance.

The Committee resumed article by article consideration of the Auditor General's Report for the fiscal year ending March 31, 1950.

Mr. Watson Sellar was further questioned as the various articles of his report were under study, and Mr. R. B. Bryce was called to answer certain specific questions arising out of the study of the Auditor General's Report.

At 1.00 o'clock p.m., the Committee adjourned to meet again at 11.00 o'clock a.m., Friday, March 16, 1951.

ANTOINE CHASSÉ,
Clerk of the Committee.

MINUTES OF EVIDENCE

HOUSE OF COMMONS,
MARCH 15, 1951.

The Standing Committee on Public Accounts met this day at 11 a.m. The Chairman, Mr. L. Philippe Picard, presided.

The CHAIRMAN: Gentlemen, we have a quorum. I think that when we adjourned last week we had decided not to definitely go through item 19; at the request of Mr. Macdonnell we left that open, so I suppose it is all right to start from there. Have you any further comments?

Mr. MACDONNELL: Would Mr. Sellar just make a comment on the wording in the middle of that section:

"A special wording was associated with the votes in order to make an exception from section 29 of the Consolidated Revenue and Audit Act, which declares that no financial undertaking shall have force or effect unless the Comptroller of the Treasury certifies that he has reserved funds to liquidate the commitment when it falls due. The aim of the section is to safeguard against contracting in excess of grants. The special wording had for its purpose that of giving status to commitments which would not come for payment in the fiscal year. The wording, however, did not relieve the Department of the duty so to plan its financial affairs that all accounts due and payable in 1949-50 were paid out of the \$348,220,000 granted.

Would the Auditor General say a word about this question of commitments? We seem to be in a sort of no man's land here.

Mr. Watson Sellar, Auditor General, called:

The WITNESS: The Consolidated Revenue and Audit Act was revised in 1931 to provide a scheme whereby at the year end all accounts could be paid. Up to that time sometimes there had been accounts ready for payment for which there was no money available. Therefore, the scheme was devised that whenever a department entered into a commitment, that is, made a contract or committed itself to an expenditure of money they should file that commitment with the Comptroller of the Treasury, and the Comptroller of the Treasury was to give a certificate that he had reserve funds in the vote to pay whatever amount came for payment in that fiscal year. In that way it was hoped, and in fact it has been realized generally over the years, that every man who contracted with the government was assured that he would be paid the amount owing him by the year end.

Now, with regard to this particular amendment or variation in vote 250—there were three votes for the Department of National Defence in that year, the main vote being \$339 million and two supplementaries—collectively, they granted \$348 million—I will use round figures—and in addition they provided that, notwithstanding section 29 of the Consolidated Revenue and Audit Act, it could make commitments for the current year of \$401 million in vote 250, the two supplementaries granted a further sum of roughly \$13,600,000 so that all together there were \$415 million for which commitments could be made

and the money granted amounted to \$348 million to meet that. In other words, the commitment authority exceeded the grant of the vote by \$67 million. What happened was this: the Comptroller of the Treasury operated his accounts as though he had \$415 million available for commitments. He issued the ordinary certificates until about the end of the calendar year. Thereupon, he and the department began sifting through the various commitments to find out what exactly might come in for payment in the fiscal year. As a result they reduced the amount and ended the year showing that there was \$250,000 that lapsed in the vote. Actually when we were making the audit of this year—we do that currently—we discovered that there were about \$12 million worth of accounts which were ready for payment but which were not paid in the year. Now, I am not particularly concerned over the wording of the vote but I do think it is very apt. Section 29 of the Consolidated Revenue and Audit Act reads:

29. (1) No contract, agreement, or undertaking of any nature, involving a charge on the Consolidated Revenue Fund, shall be entered into, or have any force or effect, unless the Comptroller, or an officer of the Department of Finance designated by him and approved by the Treasury Board, shall have certified that there is a sufficient unencumbered balance available, out of the amount authorized by Parliament for the particular service, to pay any commitments under such contract, agreement or undertaking which would, under the provisions thereof, come in course of payment during the fiscal year in which such contract, agreement or undertaking is made or entered into.

Subsection 2 is not strictly pertinent to this point.

I am all for that wording in so far as it protects any supplier in case of a lawsuit. If he honestly and reasonably accepts a contract from the government and performs his services, that man is entitled to payment and therefore it may be necessary to protect him by that special wording. I am for it. The point really, and the reason why I am bringing it up, is that last year the British Public Accounts Committee had a somewhat similar case before it involving a payment for oil to the government of India.

Mr. CROLL: It was not wheat was it?

The WITNESS: No, oil; and it was approximately £450,000. The Air Ministry did not pay it in the year fearing that they would not have enough money in their vote if they paid it. Actually, they did. The Auditor General reported to parliament that there was this account ready for payment which had not been paid. Now, the English practice differs from ours and I am only drawing this matter to your notice with one intention; they founded their conclusion on findings of the Public Accounts committee of 1891 and that Public Accounts committee gave as its particular reason for objecting the following—I quote from their report:—

9. Your committee regards as fallacious any argument for such postponements that is based on the tendency which they may have to cause economy in the department's administration during the succeeding year. The only sound doctrine is that every desirable and practicable economy will be practised without the pressure produced upon a department by the necessity of meeting liabilities postponed from a previous year. Moreover, if liabilities are postponed in one year that practice may be repeated in the next, and thus not only would the evil grow, but the public service would suffer from the knowledge of contractors and tradesmen that payment of their accounts was liable to arbitrary postponement at the will of the department.

It is the last sentence which is the one that interests me, namely, that there might be an accumulation over the years. Actually, I do not think it

will happen because of the very large votes now before parliament, but I brought it to your attention. The department was fully aware of the situation that was created and is endeavouring this year to apply practices that will avoid its repetition at the end of this year and I hope it will be successful in this.

Mr. THATCHER: In one word, what do you mean? I am more befuddled than when you started.

The CHAIRMAN: What is your question?

By Mr. Thatcher:

Q. What exactly is wrong with this section? Is the point you are making that \$12 million of accounts were committed for in one year when that money actually had not been voted?—A. No, the point I am making is this, that at the year end there were \$12 million worth of accounts ready for payment. Goods had been supplied and accepted by the department but were not paid for because there was no money left in that vote.

Q. In other words, merchandise was supplied before being approved by parliament?—A. No. Parliament had authorized by this vote that they could enter commitments of approximately \$67 million in excess of the amount actually granted, and the department honoured that; they kept within the \$67 million; but suppliers made deliveries faster than the department had anticipated with the result that at the year end they did not have the money to pay \$12 million of accounts ready for payment.

By Mr. Macdonnell:

Q. In other words, they paid some people more than they intended and had less for others?—A. No, it was just on account of velocity of deliveries.

Q. That is what I mean. After all, the shortage has to arise somehow. I have to admit I am not quite clear about it. You say deliveries had been made faster than anticipated. They anticipated that certain payments would be made during the then current year and certain payments following; is that correct?—A. Yes. Let me give you a specific instance. I am using this instance because it was the first payment made in the new year. There is no significance otherwise in the transaction.

Mr. THATCHER: Why is it in there then?

The WITNESS: On the 9th of August, 1949, the Air Ministry gave a contract to Sicard, Incorporated, for the delivery of trucks. Now, that application came before the Comptroller of the Treasury for a certificate that there was money available. The Comptroller of the Treasury gave his certificate to that effect.

On the 29th of March the contractor delivered \$150,000 worth of trucks and they were accepted by the department according to contract, and the contractor was entitled to his payments. But because they thought they would not have enough money in the vote they held that account over and did not pay it until the 20th of April when it was charged to the new year. That is a practical illustration.

The CHAIRMAN: Any further questions, Mr. Thatcher?

By Mr. Wright:

Q. You say here: "A special wording was associated with the votes in order to make an exception from section 29 of the Consolidated Revenue and Audit Act"?—A. Yes.

Q. When was that special wording placed in those votes? Was it after the \$348 million had been granted by parliament or was it in the wording before the

\$348 million had been granted? It seems to me if you leave it open that the special wordings can be put into the votes after they have been granted by parliament.—A. No, no, no.

The CHAIRMAN: That would not be legal.

The WITNESS: In 1946 parliament made grants to the Department of National Defence. I will use vote 568, because it happens to be the first. Vote 568, air services (commitments of \$29,855,110).

The amount granted was \$118,124,753. That was what they did. The government was indicating to parliament what it was anticipating in its program. For 1947 the wording was changed and bulked together for all services and read: "To provide for the orderly establishment and organization of the defence forces of the army, navy and air services on a peacetime basis, and to authorize commitments against future years, in the amount of \$29,833,648".

Then, in the following year they adopted the text which you are now considering. That text has been in the statute books and it is in the estimates item when it is presented to the House. That text was approved by parliament in 1948, in 1949 and in 1950 and it is in the text for the new year. No, sir, there was no change made by anyone after the text was voted by parliament.

The CHAIRMAN: Are we satisfied that we are finished with item 19? Item 20—votes for supplementing other votes.

By Mr. Fleming:

Q. Will Mr. Sellar explain briefly and in a general way with regard to these several items? Is there anything more involved here than a situation where the government asks parliament for additions to items that had already been voted and where they found at the end of the year that much more had been asked for and voted than was required?—A. That is the effect of it.

Q. Nothing more than that?—A. Those paragraphs are here for information purposes only.

Q. It comes down then to a matter of the duty of parliament to review the estimates and not issue supplementary estimates without very great care being exercised, especially where they are in addition to anything already voted.—A. May I reply to that by saying that the estimates last year—that is, for the current year and the estimates now before the House for the next year—show that the government has already taken action to reduce these amounts to normal appropriations; the amount involved now is quite small.

Q. The new form of estimates could help somewhat to carry down that information with regard to the actual expenditures and the date the estimate was voted plus an estimate of the amount likely to be spent during the year and the then current fiscal year.—A. You take where there was \$26 million in the votes in the year that is before you, this year it is \$2 million.

Mr. MACDONNELL: Does that mean that these amounts are drawn up in a careless way? I mean, on the face of it, one is surprised by some of the amounts that are dealt with, it makes one wonder whether Treasury Board, or whoever is charged with planning, has planned as carefully as one would like to have them plan. Do you feel, whatever has been true in the past, that it is going to be better for the future?

Mr. SINCLAIR: I would suggest that the very opposite is true; that where you have an amount of \$25 million or \$26 million approved by Treasury Board, that through the exercise of care Treasury Board cut the amount of that expenditure down to \$5 million, that very effective care was exercised.

Mr. MACDONNELL: The appropriation was more than they asked for.

Mr. SINCLAIR: The estimates of the department come forward to the Treasury Board which exercises control over them.

Mr. MACDONNELL: That may be so, Mr. Chairman; but before these estimates come before parliament and we are asked to pass on them; there is supposed to have been a very careful scrutiny of them.

Mr. SINCLAIR: There is. Contingency votes and salaries and so on are matters which are very difficult to forecast. I would say this, so far as Treasury Board scrutinizing these items is concerned, that their scrutiny did in fact result in the amount being reduced from the vote of \$26,500,000 to \$5 million or a little over.

Mr. MACDONNELL: I am not criticizing the final figure. All I am suggesting is that somebody, I do not know whether it is the department or the Treasury Board, appears to have been a little careless in arriving at the amount of the estimate.

Mr. FRASER: It looks to me that if the government in relation to this \$26 million spent only \$5 million it was certainly a mighty poor guess to begin with; it must have been just a guess, not actual figures.

Mr. SINCLAIR: In ordinary departmental estimates you can come pretty close, but when you come to estimate appropriations for contingencies, to forecast requirements for emergencies of this type, it is much more difficult. I think the Treasury Board will have more control of these votes; they are handling them quite differently this year from the way they did last year, and in examining this emergency vote they have lowered the level this year.

Mr. FRASER: These are really supplementary estimates, these are additional sums to be voted.

Mr. SINCLAIR: These are contingency items, something which you cannot forecast with any degree of accuracy but which may turn up.

Mr. FRASER: If they do turn up; but on the ordinary estimates we were told last year there would be a cushion on these ordinary estimates and there might be the need for \$1 million more, and in case there would be any question about it they would add another \$300,000.

Mr. SINCLAIR: It is a very difficult thing to estimate precisely, even closely; but it was pointed out in the Public Accounts committee last year that in these items of estimates they do not always turn out exactly as anticipated, and the suggestion was made that these "cushions" had to be put in in order to provide for the needs for the whole of the department.

Mr. FRASER: But here the "cushion" is \$15 million.

Mr. SINCLAIR: That is a different type of item.

Mr. FRASER: Yes, it is sort of a sponge rubber cushion.

Mr. SINCLAIR: Oh, nothing like that.

The CHAIRMAN: Are you not satisfied, Mr. Fraser, that instead of spending \$20 million last year they spent only \$5 million?

Mr. FRASER: I am quite satisfied with that, but I still can't see why they can't get it closer.

Mr. FULTON: But the fact is, is it not, Mr. Chairman, that when it comes to estimating, the tax rates are set on the basis of the estimated requirements for the fiscal year? And here you have this \$20 million expenditure estimated which apparently was not required. Would that not result in our being over-taxed?

The CHAIRMAN: You should put questions on economic policy to the government and on control to Treasury Board officials. Expenditures were \$15 million lower than estimates. I don't think the public should object to that.

Mr. FULTON: Taxes were raised by \$15 million in this way.

The CHAIRMAN: Well, you had a surplus at the end of the year.

Mr. FLEMING: I think we are all agreed that even though the amount is voted in the House we still want very careful scrutinizing applied by the department concerned over the expenditure of money. However, parliament has the final responsibility. The government made these estimates and brought them to the House. But here, as I understand it, what the Auditor General is saying is, that as things turned out there wasn't any need for the additional appropriation. Actually, their appropriation probably was more than ample by a substantial margin to meet requirements. It seems to me rather than question Mr. Sellar on this point the man we ought to ask about it is Mr. Bryce; because we want to be sure, I think, that a great deal of care is being applied to insure the accuracy of these estimates as related to the strict needs of any department. Nobody could expect anyone to be able to foresee precisely throughout the year what the need for contingencies would be, that would be expecting too much of anyone; but we want the strictest care applied to the preparation of the estimates, and it strikes me that Mr. Bryce should be able to give us information on that.

Mr. SINCLAIR: There is another question. We have the Auditor General here, but it is the other department which had the authorizing of the expenditures, the Department of Finance. I would like Mr. Bryce to be available to give us information on this point.

The CHAIRMAN: Before calling Mr. Bryce I would like an expression of opinion from the committee as to what we should do. As you know, it was the unanimous decision of the committee that we would give only five meetings to the study of the Auditor General's report. I gather that the proposal now is to ask that other officials be brought in to explain this particular item. I have no personal objection to having Mr. Bryce answer this question for us on the point Mr. Fleming just raised.

Mr. SINCLAIR: I only suggested Mr. Bryce because he is the one official who advises all departments, who for Treasury Board confers with all departments in the preparation of estimates.

The CHAIRMAN: Yes. I have no personal objection but I want an expression of views from the committee so that it will not be said that I over-stepped my powers and that we lengthened the procedure.

Mr. THATCHER: I think we should hear Mr. Bryce now.

Mr. FLEMING: Mr. Chairman, if Mr. Thatcher consents we might hear from Mr. Bryce in connection with this matter now.

The CHAIRMAN: All right. Would Mr. Bryce please step up to the table?

Mr. R. B. Bryce, Assistant Deputy Minister of Finance, called.

Mr. MACDONNELL: Mr. Chairman, might I just make one comment. I agree with what Mr. Fleming says, that we should have some explanation from Mr. Bryce on this. Personally, I think that is all the more important because of the fact that when estimates are brought down in the House they are a government measure, and for that reason accuracy is far more important than it otherwise would be.

Mr. ROBINSON: Mr. Chairman, I think we should have Mr. Bryce give us a short explanation as to the relative difficulty between estimating ordinary expenditures and contingent expenditures.

Mr. FLEMING: Yes, and would he more particularly deal with additional appropriations asked for in excess of original estimates where it would appear later on that there is no need for them.

The CHAIRMAN: Could we not proceed as we have with the other witness? Could we not proceed by asking questions? I think you had a question, Mr. Robinson.

Mr. ROBINSON: Mr. Bryce, would you give us a short explanation as to the relative difficulty of estimating ordinary departmental expenditures and expenditures of a contingent nature?

Mr. BRYCE: Such as in this vote 89?

Mr. ROBINSON: Such as that, yes.

Mr. BRYCE: It is naturally very much more difficult to estimate what one will require for a vote of this kind to meet really unforeseen contingencies. I think though that you will understand vote 89 more readily if I say that after the bulk of the estimates had been prepared for the year in question the government decided to carry through a general revision of civil service salaries and consequently the votes for all the individual departments and units did not reflect those increases in salaries, and the reason that we put this very substantial amount of \$20 million in this vote 89 for general salary requirements was that it was to meet the increased cost due to the increases in the civil service salaries. Now, the reason that something like two thirds of it was not used was that the other votes in fact have been able to absorb a good deal of that increase in civil service salaries, so that this was a residual effect of many small cushions, if you like, in a whole lot of votes, which ultimately were not required.

Mr. MACDONNELL: How do you account for the size of the amount in all these other votes?

Mr. BRYCE: Pardon me?

Mr. MACDONNELL: How does there happen to be so many cushions in the other votes?

Mr. BRYCE: The reason for the cushions in the other votes is that in a good many cases the numbers of employees provided for by these votes were not realized during the year. You might recall during this period—1949—a number of departmental programs were being expanded and the government had authorized them and had asked parliament for funds to enable this expansion to take place. In fact it has been difficult to get all the employees that they had planned on; and where that is the case and you had provided for salaries in these other votes, they proved in the end to be larger than required and were able to absorb much of the increased cost which it was thought would have been chargeable against this contingency vote. As a matter of practice we require the departments to meet requirements for salary increases in so far as it is possible out of their regular appropriations, and only thereafter to meet requirements of that nature out of this general salaries contingency vote. In most cases the departments were able to absorb the actual cost of the increases.

Mr. JOHNSTON: Can you take the moneys which were in the other votes and use them for increases in salaries unless they are specified in the other vote?

Mr. BRYCE: Yes, we can—

The CHAIRMAN: Did you say, "unless"?

Mr. JOHNSTON: Unless it was specified in the other vote?

Mr. BRYCE: Both the vote and the general provision of the law provide that any increases in the rate of salary may be paid out of the vote providing the salaries for the unit.

Mr. JOHNSTON: Yes, but I think it was brought out by this committee last year that there was to be an elimination of that practice of taking money from one vote and transferring it to another.

Mr. BRYCE: This does not involve a transfer between individual votes.

Mr. JOHNSTON: I understood you to say it did?

Mr. BRYCE: For example, let us take the vote for agricultural entomology in the science service of Agriculture. If in fact they were unable, as they probably were, to get all the technical staff they wanted for that unit, they did not spend as much on salaries as had been requested in the vote for the unit. Consequently, when the salary rates for people working in that unit were increased, the department was able to meet the increases by drawing upon funds that would have been spent on other salaries had they obtained a larger number of employees.

Mr. JOHNSTON: That is the situation that prevailed in vote 89?

Mr. BRYCE: That is the reason that demands on vote 89 were less.

Mr. MACDONNELL: Does the word "increase" mean not only increases in salaries, but increases in staff in some departments?

Mr. BRYCE: That is right.

Mr. MACDONNELL: You were really both expanding and contracting the civil service then?

Mr. BRYCE: Yes.

Mr. FLEMING: Mr. Bryce, was there not a careful review made of the position in this regard, throughout departments, before the government asked parliament to vote the additional appropriation for this over-all purpose? That seems to me to be the gist of the whole matter?

Mr. BRYCE: We made a rough forecast of what the amount might be.

Mr. FLEMING: That probably brings it down to the nut of the problem. You use the expression "a rough forecast". The question is one of degree—how rough are those estimates; how serious is the attempt made throughout every department, and especially through the Treasury Board in the last analysis, to see that these estimates are not rough but as accurate as it is reasonable to expect?

Mr. BRYCE: In answering that I might just comment on developments since that time. In the following year the amount for this general salaries contingency was reduced in the main estimates to \$1 million, and a further \$1 million in the supplementary estimates—the additional \$1 million really being necessary because we were faced with a great many wage increases paid to our prevailing rate staff. For the current year you will see the government has provided \$1½ mililon. There has been a general salary increase proposed by the government and authorized, but it is not being paid until parliament votes additional funds. We have endeavoured in this year's estimates, at greatly increased labour I might say, to reflect these higher salaries in the details of all votes, so that we do not need to put in a large contingency vote of this kind to provide for it.

Mr. FLEMING: Mr. Bryce, I do not want to be offensive, but I do not think that you fully answered my question. We will all applaud the extent to which there has been an attempt made to be more accurate in the estimates, which you indicate has been the case in the last year or so, and what you say may rather reflect that there was not very accurate estimating done before. However, I come back to my question. Just how serious is the attempt in all departments, and in the last analysis in the Treasury Board, to see that these estimates are as accurate as can reasonably be expected, and not just rough estimates?

Mr. BRYCE: There is a great deal of effort put into that but it is a matter which requires a high degree of skill as well as some ability to anticipate what conditions are likely to be. For example, in the case of salaries, the Treasury Board instructions to departments are quite explicit and detailed as to what they should include in individual votes for salary items. They are only supposed to put in for salaries for the positions that have actually been authorized, the individual positions that have actually been authorized. Those are received

by the Treasury Board in great detail—huge schedules with, in some cases, thousands of employees. They are not supposed to include temporary positions that have been vacant for more than ten months. Consequently the provision for salaries is very accurate. It may be vitiated by the fact that it may turn out to be incorrect because, in fact, the government may be unable to find employees. In recent years a good many departments have been short of full strength because they simply could not find employees to fill the positions they have. That is the main type of inaccuracy which we run into.

In the individual votes for departments we do not include provision for salary increases unless they have been already authorized by the government and are known specifically. We have tried to do that in the votes for the new fiscal year, as I mentioned, but we are faced every year with unanticipated salary changes. That has been the case for example recently when, during one year, it was found necessary to increase salaries paid to veterinarians. They were very difficult to obtain.

Mr. FRASER: They were underpaid too.

Mr. BRYCE: No doubt, in relation to amounts paid by other employers. The Civil Service Commission, during the year, came to the conclusion it would have to raise the salary rates paid to veterinarians, and the government approved it. Now those are unforeseen things—they cannot be foreseen in detail when the estimates are brought down. Consequently, we always have here a general salaries vote of a modest size, and, if the individual votes are tight—because they could not foresee those changes—then they can be supplemented in this way.

In addition, in recent years, in a good many units, the wages paid to our prevailing rate staffs have gone up as a result of action quite outside the government. The Department of Labour, from time to time, determine wage rates in a given locality for a given trade, and it is the government's policy to pay such rates. We have to be able to find additional funds to pay those increased rates and this would be where we would find them if the vote of the individual department, which had not taken that into account originally, was unable to look after the increases.

Does that answer the question?

Mr. FLEMING: Yes, but it may raise a question about the attitude of the Treasury Department regarding cushions, and we had this last year. You indicate, as I follow your evidence, Mr. Bryce, that you have initiated procedures in the last year or two designed to effect greater accuracy in the estimates as submitted to the House. Has there been any change in the attitude of the Treasury Board with respect to the cushions in the estimates?

Mr. BRYCE: I would say yes, sir; perhaps not so much in attitude as in ability of the board to locate amounts that may not in fact be required, and to thereby eliminate them. It is not so much a question of attitude as it is of adequate knowledge.

Mr. FRASER: You have not any special scale to go on?

Mr. ROBINSON: May I ask a question?

Mr. FLEMING: Well, I have not quite finished. May we infer, from what you have said, Mr. Bryce, that the Treasury Board is—let us put it colloquially—trying to get tougher with respect to cushions in the estimates of various departments, as submitted to the Treasury Board.

Mr. BRYCE: Yes, sir; it has been tougher in the last two years than previously.

Mr. FLEMING: Would you care to make any comment on the degree of severity of this toughness?

Mr. BRYCE: I think that would best come from departmental officials and ministers who have appeared before them—

Mr. SINCLAIR: Or members of parliament who have been turned down.

Mr. ROBINSON: May I ask a specific question on a specific case? For some years I have been asking for the continuation of a hydrographic survey in Georgian Bay, and the department agrees that is desirable. I understand that for some years they have provided funds in their estimates for general hydrographic services. Now that has been so since 1946, but each year they have failed to find trained hydrographers. As a consequence, I imagine part of the vote has been unexpended, and, I suppose, that provides one of the cushions you talk of. Would you call that an unavoidable cushion, and how much of that type of thing do you run into?

Mr. BRYCE: There are a good many unavoidable cushions, but I do not think that sort of thing is what we would normally regard as a cushion. We would regard as a cushion something put in to provide for unforeseen contingencies. It is not a cushion when you provide for more staff, for instance, and in fact it turns out that they have been impossible to obtain.

Mr. CAVERS: Is it not necessary to get authority in the estimates to increase salaries or staff before the department can do anything about it? So, in presenting the estimates to the House, authority must be given in the chain before anything can be done by a particular department for increasing salaries, staff, and so on?

Mr. BRYCE: No, sir. The legislation permits the government to change rates, normally on the recommendation of the Civil Service Commission, but of course it cannot pay the increased rates unless there is money voted by parliament to do so. When the government, in December last, decided it should increase salary rates it explained at the time that it would be necessary to defer payment of any such rates until parliament had voted the additional funds in the further supplementary estimates to be brought down in a few days.

Mr. SINCLAIR: On Monday.

Mr. BRYCE: There will be such amounts as are necessary to supplement the other votes and to enable those higher rates to be paid; and of course that provides an opportunity for parliament to inquire into the matter.

Mr. FRASER: Mr. Bryce, you made mention that this year the cushion is getting a little harder. Now what percentage would the cushion be? If it were softer before, what percentage would it be this year?

Mr. BRYCE: That is very hard to say.

Mr. FRASER: Do you not have a range for each department? Would they not all be the same, depending on their staff; or have some departments got an advantage over others?

The CHAIRMAN: It is not a question of advantage, it is a question of the greater need of one department over another.

Mr. FRASER: Well they should have an average.

The CHAIRMAN: They cannot have a definite quota or definite proportion.

Mr. FRASER: What is the average cushion?

Mr. BRYCE: I am afraid, sir, I cannot say there is an average cushion because, by and large, we try to eliminate those cushions we can find in order to make the estimates as firm and realistic as possible. So, if there are cushions that have been put in there—it is a colloquial term and not an exact term—if there are cushions in there I am not able to say exactly how much they are. For example, take the ordinary votes of Public Works for works in the various provinces—let us say public buildings. It is perfectly obvious from the figures that in a good many instances the Public Works Department has spent far less than the amount voted. That has not been a deliberate cushion which they have put in there and that the Treasury Board did not detect or specially

authorize consciously; it has been due to the fact that they just could not get ahead with the work. That is not really a cushion although it may look that way after the event.

Mr. FRASER: Your main cushion is on staff?

Mr. BRYCE: The main cushions are these general contingency votes.

Now there are in many construction items small cushions put in consciously and deliberately. If you will look into the vote on national harbours I think you will see \$200,000 for unforeseen construction.

Mr. FULTON: Mr. Bryce, you just referred to Public Works estimates. I notice it has been the practice for some years now, in the architectural branch for instance, to put in figures by provinces, cities, or locations, and then have a heading in the estimates: "Less: Estimated amount by which actual expenditure on all listed projects will fall short of the total of amounts that may be required for each"; and that is deducted and the total amount reflects that deduction. Now who puts that estimate in, Public Works or the Treasury Board?

Mr. BRYCE: It is done by agreement between the two. It has turned out in fact, in this past year, as presently evidenced from the figures shown in the new estimates, that that deduction was small, in many cases, compared with the difference as it actually developed.

Mr. FULTON: I have before me the page for the province of Quebec, and under the architectural branch they say: less estimated minimum by which actual expenditures will fall short of the total, \$663,000. I was wondering. Do you think that procedure could be applied to other departments besides Public Works? And if so, would it have the effect of reducing the total estimates?

Mr. BRYCE: It is unnecessary for us to apply it in a good many departments because the projects are not specified in such detail. For example, if one enquires about the construction vote in the experimental farm service, he will see that they have in mind trying to do a whole list of projects which add up to more than the vote. But we manage to convince them that they won't get it all done and in fact they should not ask parliament for more than the total sum specified, that is, less than the things they would like to do.

In the case of Public Works it has been traditional to list individual projects in the estimates. So for that reason it was necessary to make the deductions in order to get them down to what the Treasury Board felt was a more realistic limit as to what they might expect.

Mr. FULTON: Do you put that in there after Public Works submit its estimates to you, or do Public Works put it in there to try and convince you that it is the minimum that they expect? If it is the latter process, it seems to me that the department still simply over-estimates, shows a deduction, and ends up with a figure which is more than they need, and yet is able to say: look at what we have done.

Mr. SINCLAIR: Is not the reason why Public Works is different from any other department this very problem: for example, in British Columbia Public Works lists ten wharves which they intend to build in that area. They should know from past experience that only nine of those wharves will be built, but they do not know which one will not be built.

Mr. CRUICKSHANK: Oh, yes, or take the case of the Fraser Valley.

Mr. SINCLAIR: And because of that experience, they put in these amounts. But in the case of an ordinary department you are going ahead with continuous construction projects, or with only one project for example. So I think that is why Public Works has the greatest number of re-votes of any number of departments. And, as Mr. Fulton pointed out, nobody is keener than the chairman

of the Treasury Board to keep these lapses down to a minimum, because that would lower his over-all estimates on public expenditures for the year and he is naturally anxious to keep that as low as possible. These lapsed votes are a real challenge to the Treasury Board and a source of annoyance to members of parliament.

Mr. FRASER: But the higher the Minister of Finance gets them, the more surplus he will have at the end of the year.

Mr. SINCLAIR: Yes, but what will he do with that surplus? Is it a debt or a reduction? That is the point.

Mr. FULTON: You did not get a chance to answer my question: whether those reductions in the estimates of Public Works are put in by you or by Public Works, and whether they present their estimates in this form, that is, as a first total, and then estimate the amount which won't be needed, and then show a final total? Or whether they come along as a first total and you insist upon putting in the reductions?

Mr. BRYCE: I think it is only fair to say that they are put in as a means of reaching agreement upon the total and that the Public Works department do not do this traditionally, and that the practice has only developed in the last two or three years in an endeavour to get a more realistic figure. That is an item which comes up in the negotiation between the Minister of Public Works and the Treasury Board in settling the final figures, and it is put in there. It is one of the means of trying to get a more realistic total.

The CHAIRMAN: May we assume that we have covered these "votes for supplementing other votes", which are items 20 to 23; and that we may now pass on to item 24, "Votes with legislative effect"?

Mr. FLEMING: Mr. Chairman, are we adding to what the Auditor General said last year in connection with "votes with legislative effect" standing on their own feet as such?

The CHAIRMAN: There was an item in the report last year about it.

(Resuming the examination of Mr. Watson Sellar)

The WITNESS: Looking at the main estimates which are now before the House of Commons, I have noticed but one item, which I think justifies the action that you have taken in the past, and I think you have achieved your end.

Mr. FLEMING: May I ask what it is?

The WITNESS: It is just a small item, a perfectly legitimate item.

Mr. CROLL: Do not tell him what it is.

The WITNESS: It is just a dollar item in connection with the new Department of Defence Production where they authorize the transfer of moneys held by the Canadian Commercial Corporation to the new department on account of the retirement fund in connection with officials to be transferred by the corporation to the new department. It is a perfectly legitimate action, and it is the simplest way to do it.

The CHAIRMAN: And it does not involve any expenditure on the part of the government. It is just a transfer of retirement funds.

Mr. FLEMING: But I suppose it is technically a breach of the principle that you should not have legislation by a mere item in the appropriation bill.

The CHAIRMAN: There is only one way of covering these items. It means no public expenditure but a transfer of retirement funds of the employees of one department to those of another department. It does not involve any public expenditure.

Mr. FLEMING: I think the committee will derive some satisfaction from the fact that the recommendation upon which we spent a good deal of time last year appears now to be reflected in the form of the new estimates.

The CHAIRMAN: You are right and in this regard I would like to be permitted to read from the statement the Minister of Finance gave to the press on the night he presented the estimates. I quote:

The Treasury Board has also followed the suggestion of the Public Accounts Committee that it avoid, so far as possible, votes having a legislative purpose instead of an appropriation purpose and also nominal appropriations where real amounts can be set forth. However, we still find that there are certain cases where nominal appropriations seem to be reasonable and sensible, and other cases where the authorization of certain transactions by votes in the estimates seem much the most practical way of dealing with temporary and minor legislative requirements.

In this case it is just a transfer of retirement funds for employees, and it does not involve any public expenditure. Are there any further questions?

By Mr. Thatcher:

Q. Might I ask the Auditor General to explain what is meant by the dollar vote which parliament passes?—A. Mr. Chairman, it is done so that there may be an item in the estimates which the committee of supply may consider and which the House of Commons may in turn consider. It is necessary that there be a sum of money associated with it because you are granting supply. Therefore, one dollar is put in to qualify the items before the committee on supply. The important thing, however, is the text of the vote. That is the important thing.

Q. In connection with Item 24, votes 54, 429, and 796, we voted a dollar for each of them, just \$3, yet more than \$1 million were ultimately spent. I did not follow the authority that there is for spending that money?

The CHAIRMAN: Their authority is in the text of the vote which you passed last year. The dollar was set to enable it to be put in the estimates. But the importance of the vote is to be found in the wording of the vote itself.

Mr. THATCHER: Am I to understand that we could pass a dollar bill and then go out and spend \$10 million or \$50 million?

Mr. CAUCHON: Why not!

Mr. THATCHER: Last year votes 54, 429, and 796, I think, involved an expenditure of over \$1 million; but as far as I can understand it, we only voted a \$3 vote.

The CHAIRMAN: Vote 54 last year was one which we thrashed out in this committee and in the committee on External Affairs. It had to do with the spending of moneys which came to the Canadian government from governments abroad, as due to the Canadian government. Now, the government spent these moneys to build embassies abroad, and item 54 was simply a way of getting authorization from parliament to spend these sums. We ironed that out in this committee as well as in the other committee which I mentioned.

Mr. THATCHER: Mr. Chairman, I still have not had my question answered: if we pass a \$1 vote, is there any limit on the amount of money which could be spent?

The CHAIRMAN: It is not a question of how much can be spent in any particular dollar vote. We have to pin it down to one vote in order to answer your question. Vote 54 had to do with embassies. It may be that the Auditor General would want to answer your broader question.

The WITNESS: In the case of vote 54, the text of that vote was "To authorize the government to expend blocked currencies that were received as a result of the war". Take for example Denmark, a country which in this case owed the government of Canada for certain services rendered by Canada. As a result we had in kroners in Copenhagen a sum of money. Now, the text of the vote permitted the government to use this blocked currency for the construction or purchase of embassy buildings in Denmark. The government purchased the building it was occupying. It is a good building. I have been in that building myself.

Mr. SINCLAIR: Yes, it is an excellent building.

The WITNESS: But the amount that the government could spend was limited. It came actually out of the kroners which were on deposit in Denmark to the credit of the government of Canada. That was the limitation in that case.

By Mr. Thatcher:

Q. What would be the limitation in vote 796?—A. That is a little different. Let us say that I applied for a government annuity. The agent took my application and took my cheque for the amount. But later on, for some reason or other, the government decided that it would not issue the annuity to me. Under the Consolidated Revenue and Audit Act the government had no power to return my money. So this vote was made to give them authority to return the money that I had paid them. Not a cent otherwise could come out of the Consolidated Revenue Fund of the moneys which they had received but had not applied to the government annuity. So that was the limitation there.

The CHAIRMAN: It was not an expenditure of public funds but a return of moneys accepted from the prospective annuity holders.

By Mr. Thatcher:

Q. On a general dollar vote then, Mr. Sellar, is there always a limitation?—A. Yes, sir, and as I say, the government is cutting down on them. I refer to the embassy item in the estimates now before the House where you will find an amount of \$1,042,500 for the construction of buildings in various countries on the part of the Department of External Affairs. This year the dollar vote has disappeared.

Mr. SINCLAIR: As far as that vote is concerned, there is now a much better understanding as to what funds we have in those various countries. At the time the previous votes were approved we did not know the actual funds that we had in those foreign countries and that really was the reason behind the dollar vote.

The WITNESS: But you were limited to the amount you did get, and I understand that is what Mr. Thatcher's question was.

Mr. FLEMING: I think it might be told, Mr. Thatcher, that the committee of External Affairs also concerned itself with this matter last year, as well as this committee. I think that so far as this particular transaction is concerned, the detailed review of it was made in the External Affairs committee, but this committee having regard to this and similar cases did express its opinion that we frowned on the use of these \$1 votes for legislative purposes and we made that recommendation to the House against the use of this method in every possible case, and this is just a report, as I understand it, to indicate that this brings the situation up to date, as of the close of the last fiscal year, but the present situation as reflected in the new estimates shows that our recommendation has been given effect to.

The CHAIRMAN: This year you have item 88, which was covered last year by a dollar vote, item 54, but this year they estimated exactly the sums at their

disposal and you see in item 88 the amount of \$1,042,500 for the same purposes as the dollar vote of last year. This year, they know how much they have and how much they can spend, and they ask parliament to vote the full amount instead of the dollar vote, just on account of the fact that the committee objected to that. Now, this year, instead of one dollar, if you will look at item 88, for 1951-52, you will see \$1,042,500. In fact, therefore, it is not a real increase. That money existed, but we did not know the exact extent of the funds we had there so we put in one dollar.

Mr. FULFORD: That is, the money has never been in Canada?

Mr. FRASER: It was in Canada but we gave it to them.

Mr. FULFORD: It was, and it went over and never came back.

By Mr. Thatcher:

Q. I am not just clear though, how we can vote one dollar and the government can spend an unlimited amount for a project. What is the legal basis for this dollar vote? There must be one somewhere?—A. It is the text of the vote, sir. I will read you vote 54: You will find it at the top of page E-12 of the Public Accounts.

Vote 54. To authorize the use during the fiscal year 1949-50 in payment for the acquisition, improvement or furnishing of properties for Canadian Government offices and residences in foreign countries of inconvertible foreign currencies from deposits of such currencies which may be used only for governmental or other limited purposes in these countries and which have been received by the Government of Canada from other governments in settlement of claims arising out of military operations or war expenditures.

That is the important thing. It is not the dollar. The dollar is of no significance; it is the language of that vote that gives it effect.

Q. I realize that for vote 54, but does that apply any time the government wants to pass a dollar vote? I mean does that apply to any of these items?

The CHAIRMAN: It has to appear in the Appropriation Act, the definite use of it, the definite purpose, in definite terms, and parliament votes on the terms of that appropriation.

Mr. FLEMING: The words, as well as the figures, are law.

Mr. THATCHER: I do not see how parliament can vote money in that way. It seems to me that parliament may vote a dollar item and somebody may decide to spend \$10 million.

The CHAIRMAN: Nobody can decide to spend \$10 million, they are limited by the purposes and the terms of the vote that is voted by parliament.

Mr. THATCHER: The money is spent, though.

Mr. FLEMING: What Mr. Thatcher is getting at is that while this is legislation, therefore it requires the form of law, whether it is the words of the item or the amount, it is not a sound method of legislation because it departs from the principle of parliamentary control over expenditure. That is why this committee made this recommendation. We do not want to see legislation conducted in this form and consequently we frowned on these one dollar items and, apparently, with good effect.

The CHAIRMAN: That is why this has been reduced this year to one item.

Mr. THATCHER: It is one item but it could be fifty.

Mr. FLEMING: Not if we are on the job and make sure they do not fall into the old error.

The CHAIRMAN: Shall we agree on "votes with legislative effect" and pass on to item 25?

Any questions on item 25?

By Mr. Fulton:

Q. I will be very grateful for one comment. You pointed out, I think, two specific cases where vote texts were used to accomplish things which were quite apparently in the intention of parliament to accomplish, in that a use was made of the money, which, of itself, was not subject to much criticism, the only criticism would be the technical one you have referred to. Do you regard this as a serious matter? Is it one to which our attention should be carefully directed?—A. I do not regard item 25 as of any material concern at all.

Item 26 raises a little question, but not one of tremendous significance. I would not worry unduly over it. In item 26—may I refer to it, Mr. Chairman?

The CHAIRMAN: Yes.

The WITNESS: This new drug was on the market. It was being produced in the United States but it could not be sold in the United States, under the laws of that country, for a certain period but, by a quirk of their law, it could be exported and sold. These new drugs may have tremendous significance in the treatment of arthritis and of various other diseases. Unfortunately, the current cost of the drugs at the time was running to \$200 a gram and to get a supply was going to involve a lot of money, and it was to get enough money in order to buy a sufficient quantity of these for experimental purposes that the Minister of National Health and Welfare indicated to the provinces that we should get together. The provinces said, "Well",—I assume they said,—"Will you find the money?" The Minister of National Health and Welfare found the money and the provinces were used as a conduit pipe to get the money back into the Research Council. That is all. I think that the use of the Research Council was entirely desirable—I am not questioning that in the least—it was just a little technical quibble as to whether there was actually a transfer from the Minister of Health and Welfare which should have been made direct and was not strictly within the law.

By Mr. Fulton:

Q. In other words, it was a desirable purpose but to get it they had to strain a little?—A. I think they strained it.

Q. Are these the only two cases you found in the estimates? Going back to the general question: Is this a practice which is of sufficient moment, at the present time, at any rate, to worry about it?—A. No, sir, I would not worry about it at all. We have had it up with the department and we are pretty well agreed as to what to do in the future.

Q. There are four paragraphs in your report. Are these the only cases you found, those you refer to in paragraph 27?—A. Yes, item 27 is a tuppenny-ha'penny matter; it is merely the construction of a comfort station out in Courtenay, British Columbia.

Mr. CRUICKSHANK: When was that authorized?

By Mr. Fulton:

Q. What I am asking Mr. Sellar is this: You have drawn our attention to four cases where the interpretation given to the incident was strained to accomplish desirable objects. Do we take it those are the only four cases which exist in the public accounts?—A. We proceed in a pretty thorough manner to audit the accounts. I would not have mentioned paragraph 28 at all except that the Treasury Board forced my hand. After the expenditure had been made by the Department of Transport they decided they had no authority to charge it to

their vote so they made an application to the Treasury Board to be allowed to charge that expenditure to unforeseen expenses in order to regularize it, and Treasury Board refused. Their decision reads as follows:

The Board noted that this expenditure for which there was apparently no authority has already been charged to Department of Transport Vote 473, Main Estimates 1949-50. They were of the opinion that there was no special authority for now transferring this charge to the Vote for Unforeseen Expenses, and felt that any such transfer would not regularize in any way the illegal disbursement that had been made. In the circumstances they feel that the expenditure should remain as a charge to your vote 473, and that an item covering it should be set up in the 'Deferred Claims Account'.

I am under instructions by the Consolidated Revenue and Audit Act to bring to your notice all irregular and illegal payments, and the Treasury Board says in this case there was an illegal payment, and so my hand is forced although the amount involved is only a few dollars.

Q. You have a general heading here, and you have pointed out four cases of irregularities. Can we take it that those are the only four that exist throughout the public accounts for the year in question and say this is not a matter we should give much concern to, or would you say it is a matter on which there might be more cases than those you have drawn to our attention and we should perhaps be concerned about it?—A. We make a pretty thorough audit; we do not make a one hundred per cent audit so I cannot be one hundred per cent sure, but I think you can assume that we have uncovered every case.

Q. Well, then, it is not very serious?—A. No, it is not serious.

By Mr. Fleming:

Q. I suppose there is always the question we should ask: do you know what has been done since to recover illegal payments or to deal with the irregularities?—A. In this case the fact is that we got the benefit of the services that we wanted so there is no question of a recovery. What we are concerned with essentially is future practice. While we and the department will quarrel publicly, we get along pretty well, and we come to a general agreement as to what the practice should be in the future in like instances.

Q. This is just by way of illustration to show how it works?—A. I am supposed to bring it to your attention and I have done so.

By Mr. Cruickshank:

Q. Mr. Chairman, under item 27 I wonder if Mr. Sellar would give us a short explanation as how that has been handled.—A. On item 27, sir, the Department of Public Works wanted those facilities in connection with one of its floats located at Courtenay slough, but the municipality of Courtenay said: Here, we would also like to have the use of the same facilities and it would be better were we to construct this on our land rather than build it on your float; and they made a deal with Public Works. Public Works said: We will put up \$5,000. Now, the vote out of which this amount was paid was the one for miscellaneous work not otherwise provided for. The Public Works Act defines "works" as meaning and including any work or property under the control of the minister. This particular building was being built by the municipality on land owned by the municipality and being retained by the municipality; which, in our opinion, was property not under the control of the minister and, therefore, it was improper to charge it to that vote, it should have been charged up against a more general vote.

Q. In other words, it should not have been charged up against this vote but rather against a general vote?—A. Yes, where they could have drawn authority from a general authority, but, as I say here, to us it appeared that a charge to this vote was not regular, because of the fact that title was not vested in the Crown.

The CHAIRMAN: "General Health Grants", items 29-31—are there any questions?

By Mr. Fleming:

Q. I wonder if Mr. Sellar would give us the general principle involved in this section?—A. You are speaking of item 29?

Q. Yes, to items 29 to 31.

The CHAIRMAN: Yes, under General Health Grants.

The WITNESS: In item 29, parliament in special votes authorized grants to the Fort William sanatorium and to the Kamsack Union hospital. In one case the grant was \$200,000 and in the other case it was \$40,000. Those grants were a contribution, neither hospital had to give proof that it had expended the money in the construction of buildings. They were grants to them. They received the money. They did not construct the buildings at once, but they did later on, and therefore when it came to calculating our one-third contribution under the agreement the question was: Should our previous contributions be also taken into the calculations in establishing our one-third? The Treasury Board felt such a course was desirable and they took appropriate steps, gave appropriate directions to that end. The department has recovered part of the money, but not all of it, from the two hospitals.

By Mr. Fleming:

Q. The Treasury Board instructed that these amounts be taken into account in calculating that one-third share of the dominion government?—A. Yes, with respect to our one-third share.

Q. How did it work out in the end?—A. As a result of that decision it was regarded that we had over-paid and that we should recover from the provinces. We do not deal with the municipalities, we deal with the provinces.

Q. What progress is being made on recovery?—A. The money has been recovered with respect to the Kamsack Union hospital, and in part the money has been recovered in connection with the Fort William sanatorium, but not all of it yet. I understand that it is being recovered but it has not all been recovered up to date.

The CHAIRMAN: Are there any other questions on these items?

By Mr. Cruickshank:

Q. Yes, Mr. Chairman, I would like to ask a question there. I see the Auditor General says, "grants were not to be made for the construction of the same hospital facilities by two or more departments." The reason I am asking this question of Mr. Sellar is that it has been brought to my attention that the same tactics may be used again to get exactly the same kind of a grant. As I understand it, other hospitals are utilizing exactly the same form of approach as has proved successful in so many cases in the past, and I was wondering if anything was being done to safeguard against such a practice?—A. There is less possibility of that sort of thing happening now, Mr. Cruickshank, because the Department of National Health and Welfare is now concerned with the welfare of the Indians, as well as with other types of grants; so I think you have a safeguard there, sir.

Q. Then they would not be able to put the same kind of grant through again?—A. Well, if you are smart, you can do almost anything, I would say; but I would say that inasmuch as it is all now under the one department, the Department of National Health and Welfare, they are pretty good and you can rely on their integrity.

Mr. SINCLAIR: Mr. Cruickshank, I suggest, did not understand this estimate; they cannot now get the same grant over again, as has been the case in the past, in some instances.

The WITNESS: Yes, that is what Treasury Board are seeking to avoid.

Mr. SINCLAIR: That is just the point I want to make sure of; it is clear that Treasury Board are now in charge of it?

The WITNESS: Yes.

Mr. CRUICKSHANK: That is all right, if Treasury Board are in charge of it.

The CHAIRMAN: Item 32—Vote Charged Before Liability Established. Any questions?

By Mr. Thatcher:

Q. Just a word on that item 32: How can P.C. 142/666, of February 11, 1949, authorize the purchase; does that mean that an Order in Council can authorize the expenditure of money? Just how does that work?—A. No, sir. The explanation is this: A department cannot buy a building like that without the authority of the Governor in Council to make the purchase; therefore, their first step after they have negotiated and found out what the price would be and have come to some agreement about it, is to go to the Governor in Council and ask for authority to enter into a contract for the purchase of this particular building for "X" number of dollars. In this case they wanted the building, which was a sash and door factory in Quebec City, for one of the units and they found that the city of Quebec was making a claim on account of certain water connections and sewer facilities that they had provided, that held up the deal; and, actually, I do not think any money has been paid yet on it—last time I looked at the record, in December, no payment had been made then—that is why I bring it to your notice. A cheque was issued but the cheque has not been delivered to the purchaser—

The CHAIRMAN: It has not been sent to the vendor.

The WITNESS: To the vendor, pardon me; that is the reason that isn't there.

The CHAIRMAN: Can we pass on to item 33 "Extra-Statutory Grants of Annuities"?

The WITNESS: If I may interrupt, sir, I understand the department shares the view that we take and they are supposed to suggest appropriate action along those lines.

Mr. FLEMING: What is that?

The WITNESS: That provision should be made for that in the estimates, that it should be authorized by an item in the estimates, just as in all other cases.

Mr. FLEMING: That is, as an individual item?

The WITNESS: It would be an individual item; whether the government will accept the recommendation of the department or not, I don't know.

The CHAIRMAN: Item 34: "Civil Servants' Liability for Acts of Negligence".

The WITNESS: I am sorry, sir, that at the foot of page 12 there is a misstatement. The fault is entirely my own. You will notice the last line says, "one-fifth of the amount paid". What happened was that as I drafted that section I used my illustration first, in which case there would be one-fifth; but if the amount is, say \$25, the civil servant is required to reimburse the

full 100% of the amount; and it graduates down to one-fifth; so the wording should be changed; to "any substantial amount". I am sorry I made that error. The fault is mine.

The CHAIRMAN: Are there any questions on item 34?

By Mr. Fleming:

Q. On item 34, I see at the end of that section you say, "In view of the ramifications of the public service, it would be a protection to both employees and Consolidated Revenue Fund were the matter made the subject of legislation." What form of legislation do you recommend would take care of that, Mr. Sellar? —A. I am hoping that in the revision of the Consolidated Revenue and Audit Act notice will be taken of this.

Q. Do you think it should take the form of, say—

The CHAIRMAN: There is notice on the order paper that the bill is coming to the House, so we will have a chance to see what is in it soon. Are there any further questions on item 34?

Item 35—Cost-Plus Contract Awards:

Q. I wonder if Mr. Sellar would give us an explanation of this item? How many kinds of cost-plus contract are there?—A. Well, there are four types of cost-plus contracts taking the place of fixed price deals; there is the cost plus a percentage, cost plus a fixed fee, target price and management fee. Now, bear in mind that I am dealing with departments generally and not with any particular department—certainly not with the Department of Defence Production, because it has its own legislation—I am dealing with all of the departments. Section 36 of the Public Works Act regulates, and it says, "Whenever any works are to be executed under the direction of any department of the government, the minister having charge of such department shall invite tenders by public advertisement for the execution of such works, except in cases:

- (a) of pressing emergency in which delay would be injurious to the public interest; or
- (b) in which from the nature of the work it can be more expeditiously and economically executed by the officers and servants of the department; or
- (c) where the estimated cost of the work is less than \$5,000 and it appears to the minister, in view of the nature of the work, that it is not advisable to invite tenders."

When you have a case of a cost-plus contract there is no reason to invite tenders because when you invite tenders you are after competitive prices, but in a cost-plus contract all you are negotiating is the percentage, or you are letting it out on the basis of a fixed fee and, therefore, there must be a selection of contractors. But, to bring the thing within the legal scope of the power of the Governor in Council to award a contract you have to fall back on (a), a state of pressing emergency. You must proceed that way. Now, my view is that you cannot avoid using one form or another of cost-plus contracts for various types of work. You have cases of urgency where the plans must be developed as the work proceeds and where, let us say, the contractor cannot estimate what volume of overtime he is going to have to use on it. Then you have cases where the work is of an experimental or novel nature, such as the construction of an aeroplane or something of that sort where neither side can estimate what the real cost is going to be. Then, you have the case where the work is located in a remote area where the contractor undertaking the job is not able to hire workmen locally—he has to provide housing for his employees, he has to get them there, he has to move in his materials and that sort of thing. Then, the other type is, that you let a contract at a time when prices for labour and material are fluctuating, maybe going up and down. If you ask a con-

tractor to bid on a firm price under any of these situations he is going to put in a tremendous contingency fee to protect himself. That might mean there would be a substantial increase in cost to the government; or, in the alternative, the contractor might take a licking. There you have the situation. Therefore, you must use one form or another of the cost-plus arrangement. Now, I look at it this way, that that section was enacted at Confederation—with the exception of the \$5,000 limit, which was added in 1903—in those days a minister ran a department, they really performed the functions of the present day deputy ministers and of branch heads—they did everything—but today the minister cannot operate his department, he has to delegate responsibility and he has to depend on his officers. I think you should give the minister protection so that if blunders are made he can discover them early and take steps to correct them. One of the great problems is: What constitutes a state of pressing emergency? One of my predecessors was a very independent gentleman and he had a controversy with the Public Works Department and the Department of Railways and Canals, in 1902, as a result he asked for an interpretation. He was not satisfied to take the word of the Department of Justice on it so he referred the matter to an independent solicitor, Sir Allan Aylesworth—he was then a practising lawyer—he asked him for an opinion as to what this phrase meant and here is what Sir Allan gave as his considered opinion:

In my opinion, the Minister in each case must be the judge whether a case of pressing emergency exists. No doubt the minister in any particular case would, if he thought the matter of sufficient consequence, advise with his colleagues on the subject, and the responsibility would rest upon him and them to Parliament for any action the department might take in the view that a case of pressing emergency existed.

Q. What was the date of that?—A. That was in 1902. In the case which I have before you, and which I am quoting, the R.C.A.F. decided to occupy an air station at Chatham, New Brunswick. The decision must have been made at least in the month of November, because the Canadian Commercial Corporation submitted a report to the Governor in Council early in December. They said “on account of the present emergency”, because the air force wanted occupancy. Actually the air force did not occupy until the first of May. Furthermore, the first contract merely asked for authority to spend \$20,000. You would have thought that plans and specifications for \$20,000 worth of work could have been prepared but, on the grounds of pressing emergency, the contract was awarded. As I pointed out, the subsequent action was that once this particular contractor got going they worked out further plans as to what was necessary and ultimately \$465,000 was spent. I think we are getting full value for the work and I am not criticizing the work, but the decision was made that we would proceed on a cost-plus-fee basis on a \$20,000 contract and \$465,000 was spent. Case number II is in for a different purpose.

By Mr. Browne:

Q. Could we ask a question on case number I? What was the fee that he received on the balance of that work?—A. Five per cent on the first part.

Q. \$20,000 at 5 per cent.—A. It all works out at roughly 5 per cent.

Q. Why were tenders not called on the remainder of the work, if the urgency did not seem to exist by May?—A. The reason they were not called in the latter instance was the man was already on the job, had his equipment and everything else there, and could undertake the work cheaper than anyone else could do it coming in new.

Q. The amount of equipment he would have there on a \$20,000 contract would not be very much?—A. You are going to examine the Department of National Defence and they should be familiar with that. I am only dealing with the figures—I cannot tell you about the equipment on the ground at all.

By Mr. Cruickshank:

Q. Have you any access to their books?—A. Oh yes, we have free access—and no department has ever refused us access to their books.

Q. My experience has been that nobody audits the books when contractors are on a cost-plus basis?—A. Oh, you are talking about the outside fellow. The contractor's accounts are examined by the Treasury cost accountants, not by us.

Q. By an official of the Treasury?—A. Yes, officers of the Comptroller of the Treasury.

By Mr. Johnston:

Q. May I ask Mr. Sellar if the contract that originally was to cost \$20,000 was the same contract that was then carried on and ultimately cost \$197,000?—A. No, they awarded new contracts, listing the work to be done.

Q. Yes, but what I have in mind is was it a much larger project than was contemplated at \$20,000?—A. Yes, it was a larger project.

Q. In fact it was a different contract from the one anticipated under the \$20,000 item?—A. Yes, I think so.

Q. I cannot see how it would otherwise. Certainly it would not have gone from \$20,000 to \$197,000 without there being a different type of construction.

The CHAIRMAN: You may note the item and when we get to National Defence you can bring the matter up then.

Mr. JOHNSTON: The only reason I ask is that certainly Mr. Sellar himself would have to be cognizant of the fact that a \$20,000 contract could not be considered to be the same project as a \$197,000 contract. I think Mr. Sellar would have to have made himself acquainted with the differences.

The CHAIRMAN: Let Mr. Sellar comment.

The WITNESS: I have no particular comment.

Mr. FRASER: In the other item, on the very same matter, you have a contract of \$87,000 cost-plus, and another contract for \$160,000. I suppose that would be cost-plus too. This work has cost up to date \$445,000, with \$20,000 more to go. That would be \$218,000 more than what the contract calls for. There seems to be something wrong there.

The WITNESS: If you add up all the contracts they come to the figure I gave.

Mr. CRUICKSHANK: May I ask a question? As I understand it, Mr. Sellar has this in his branch, can we not have an opportunity to ask departmental officials concerned?

The CHAIRMAN: At a later date, when we are on National Defence.

Mr. CRUICKSHANK: I appreciate the Public Works auditing is not done by Mr. Sellar but I want to point out that the figures are too startling here. I do know the parliamentary assistant has heard me on this, occasionally, but I know on a certain dyke a few hundred thousand were spent and some of the money was deliberately wasted on these cost-plus contracts. I say "deliberately", and I want to have an opportunity to make further inquiry of some officer who does know how these ridiculous figures were arrived at.

The CHAIRMAN: This is the moment to ask the Auditor General his reaction to these cost-plus contracts, but if you wish to ask details of the departmental officials we will have to have them here.

Mr. CRUICKSHANK: That is what I want.

The CHAIRMAN: May I point out that I am directed to deal only with the Auditor General and the secretary of the Treasury Board. Later on we are going to go into national defence accounts and you might move that we get somebody from there.

Mr. CRUICKSHANK: At the suggestion of the parliamentary assistant we have a financial expert sitting beside the Auditor General. I cannot see any reason why I cannot have a Public Works expert sitting beside the Auditor General too.

The CHAIRMAN: I have no objection but you must ask the committee.

Mr. SINCLAIR: Surely this is one of the things that will be raised when national defence accounts are before the committee. At that time you can ask questions of defence officials who audited these accounts.

Mr. WRIGHT: This matter of the dyke, mentioned by Mr. Cruickshank, does not come under national defence.

The CHAIRMAN: If you wish to enlarge the scope of the enquiry I do not object.

Mr. CRUICKSHANK: I am anxious to get to the bottom of this cost-plus business. I believe a lot of members, the majority of members, think that they stink. I certainly do, and although I am not referring to this individual item at all, I can see no reason against having a Public Works official sit beside Mr. Sellar.

Mr. SINCLAIR: It is not Public Works, it is National Defence.

Mr. CRUICKSHANK: All right, National Defence.

Mr. FLEMING: There should be a distinction there.

Mr. CRUICKSHANK: National Defence, then.

Mr. FLEMING: Mr. Bryce is here as an official of the Treasury Board who has reviewed the estimates of all departments, and he is here because we asked him to sit in on these two matters.

Mr. CRUICKSHANK: I think it is an excellent idea, but I want somebody to explain to me how it works that there is a difference in this particular item, why the amounts are published in dollars and cents as they appear on the sheet there, and why it was necessary in May to give an additional cost-plus contract to that great extent. The other day we had referred to us something up on the Alaska highway which I can understand. That was the Alaska highway, however, with difficult climatic conditions, and I can understand it. In this case I would like to know why there is this difference in this cost-plus matter.

Mr. SINCLAIR: I would like to reply to Mr. Cruickshank's statement that these cost-plus contracts stink. I thought Mr. Sellar's comments regarding conditions under which cost-plus contracts were awarded were very good and I made a note that I should read them again when the record was available. Mr. Cruickshank says cost-plus contracts stink—

Mr. CRUICKSHANK: Most of them, I said.

Mr. SINCLAIR: I think Mr. Cruickshank has this point—that it would be extremely interesting to know the degree of supervision over these costs, and how that supervision is exercised, especially by National Defence. I would suggest that this item is one that could be discussed at whatever length is desired when the people from National Defence are here. There are treasury officials of National Defence. Mr. Bryce is the Secretary of the Treasury Board, but we have our own treasury board officials with the Department of National Defence. When they are here we can raise the question much more effectively, especially when we only have five days on this report.

Mr. JOHNSTON: As it was found out during the last war by the War Expenditures Committee, this type of contract, cost-plus, does lend itself to very exaggerated over-expenditures in the case of overtime, in the case of materials, and so on, and it does take very close supervision. Now, that close

supervision, as we found out in the War Expenditures Committee last time, was not always exercised, and in my judgment, as a result, there was a tremendous amount of money wasted.

I think in the case of cost-plus contracts which have followed there has been closer supervision and no doubt we have saved money. I think the remarks of Mr. Sellar are applicable here, but there is one question I want to ask before we leave section 35.

The CHAIRMAN: Excuse me, Mr. Johnston, but Mr. Cruickshank has a point.

Mr. JOHNSTON: All right.

The CHAIRMAN: We have been asked by the members of the committee to limit our study of the Auditor General's report to five meetings. If it is the wish of the committee that we open the door to the investigation of any department we can extend it very far.

Mr. CRUICKSHANK: That is satisfactory to me.

The CHAIRMAN: The item that Mr. Cruickshank properly raises has to do with National Defence. It has been agreed that once we are through with the Auditor General we will go into National Defence—when we come back after Easter.

May I suggest that might be the time when the point will be taken into consideration and officials brought in with respect to this contract. I will ask the secretary to note the item so that it can be brought before the committee when we are on National Defence. Is that agreeable?

Mr. CRUICKSHANK: That is all right.

Mr. JOHNSTON: On this section 35, and this cost-plus-fixed-fee contract that was authorized, when the contract was first talked about it was \$20,000 plus a fixed fee of \$1,000. The contract then amounted to \$197,505.

Mr. BROWNE: \$465,000 at the end.

Mr. SINCLAIR: \$445,000.

Mr. JOHNSTON: Now what was the fixed fee in that regard? I do not see that it is mentioned.

Mr. FRASER: It shows on the next page that he got \$16,000.

The CHAIRMAN: That is another contract.

Mr. JOHNSTON: What was the ultimate fixed fee?

The WITNESS: Approximately 5 per cent.

Mr. BROWNE: 5 per cent.

Mr. JOHNSTON: What would that amount to?

Mr. BROWNE: \$23,000.

The WITNESS: \$23,000.

Mr. JOHNSTON: That looks like quite a fair fee in view of the fact that the project was enlarged greatly. I suppose it might be all right.

The CHAIRMAN: Are there any further questions on item 35? If not, we will go to item 36, cost audit settlements. Are there any questions?

Now I do not want to go too fast but we have assumed that members would read the items before they came to the meeting and, if there are no questions raised after a few seconds, I am passing on to another one.

Item 37, inventories of special equipment and tools.

Items 38 and 39, payments in advance of work performed.

Mr. FRASER: On item 39 the \$10,000 for flatware would be knives, forks, and spoons, I would imagine. Why should that much be spent all at once, because each embassy is equipped, is it not?

Mr. CRUICKSHANK: That is due to the fact, I suppose, that they get stolen.

The WITNESS: The department would have to answer that.

Mr. FRASER: External Affairs?

The WITNESS: Yes.

Mr. CRUICKSHANK: Those went to the legations overseas.

The CHAIRMAN: With the committee's permission I would ask Mr. Bryce to comment on that.

Mr. BRYCE: I think perhaps the explanation of that question is simply that these were bulk purchases for the missions abroad. They are furnished by the department.

Mr. FRASER: But we have these embassies and missions and each one is fully furnished. They furnish them as they go along. \$10,000 for flatware would cover quite a few missions and embassies, I would imagine.

Mr. SINCLAIR: Some of the missions have had to provide their own flatware, dishes, and furniture.

Mr. FRASER: Which ones?

Mr. SINCLAIR: I think of the one in Rome, particularly.

Mr. FRASER: That is charged to External Affairs?

Mr. SINCLAIR: No, the ambassador provided it himself.

Mr. CRUICKSHANK: Maybe he gets them from War Assets.

Mr. JOHNSTON: With your consent, Mr. Chairman, I would like to go back to item 37.

The CHAIRMAN: Certainly: "Inventories of special equipment and tools."

By Mr. Johnston:

Q. Could Mr. Sellar tell us the general practice of the departments concerned in keeping track of tools that the Crown owns? What I mean is that during the last war in the aircraft factories and shipbuilding plants it was necessary for the government to acquire a lot of tools over and above those which the contractors had. For instance, we supplied, I should think, thousands of dual-purpose lathes. Now, how were these tools kept track of?—A. Each of the machines was labelled.

Q. How were they labelled?—A. There was a brass label screwed on to them, or welded on to them in some way or other.

Q. Was that done in every case?—A. Yes, sir. We hope so, in any event. And a central record was maintained of that machine by number and style and cost. And when the machine was transferred to another plant, it was recorded in the accounts as taken out of the one plant and put into the other. So in that way it is hoped that a complete record was maintained of the equipment purchased during the war.

But after the war ended, that particular record branch was disbanded and since then the situation has rested between heaven and earth, or, in other words, between the Canadian Commercial Corporation and the Department of National Defence as to who should maintain such records. No records were being maintained. We interested ourselves in it and we visited several airplane plants which are now producing. We came back and urged either the department or the corporation to get busy and see that satisfactory records were set up. The Canadian Commercial Corporation undertook to do so, but it had not been undertaken at the end of last year so that is why I noted it. But it has since been done, and now the matter is being attended to.

Q. You say that you visited certain plants and that you made representations that these things be more satisfactorily kept track of. You spoke of a brass label which was put on a machine. When was that practice started? It certainly was not started at the first of the last war?—A. I would say it was started in 1941 because there was a lot of back-log work to be picked up.

Q. Would that be after we had got well under way in the manufacture of aircraft and ship-building?—A. We had quite a lot in 1940; we had a big backlog. I am not disputing that. That is why I qualified my statement by saying that I hoped we had labelled everything.

Q. I noticed that you made that qualification in your remarks because I recall that I made this point clear in the War Expenditures committee at that time: that in a great many of these plants which we visited, the only label on these machines which must have cost thousands of dollars, was a number which was painted on. Well I recall asking the manager of one of the plants what other label was on a government machine to distinguish that machine from their own machine, because they would have similar or identical machines right alongside it. And the manager said the numeral was the only thing there was. I do not suppose anyone ever did so, but I cannot see what there was to prevent someone from taking some gasoline and rubbing that painted number right off.

Mr. FRASER: There would be a serial number, would there not?

By Mr. Johnston:

Q. There might be a serial number, but as far as plant identification was concerned, that was all that was on it. I imagine we must have lost a tremendous number of these machines.—A. If I may be permitted, I must challenge that statement, Mr. Chairman. We made it our business to follow that up. And at the end of the war what I always worried about was that some member of parliament might go into some foundry and find a dual-purpose lathe stuck up against the wall and not in use. He might ask: Why is that lathe not in use? And they would say: It is not ours. It belongs to the government of Canada. And I worried that you might think it very inefficient of the government of Canada if it does not keep track of its equipment better than that. So that is why we interested ourselves right after the war to see that control was kept over these machines and that records were maintained.

Mr. JOHNSTON: I am not questioning your revised system after the war was completed. But now that we are entering another period when we shall have increased war production, it occurred to me that we should not get into the same position that we were in at the beginning of the last war when certainly the system used lent itself to a condition whereby a lot of machines could very easily be lost. So I think that great caution should be taken now to keep a very careful record of the machines that the government is buying, because I think the matter was very loosely handled before.

The CHAIRMAN: Would not the fact that the government had a list of the machines by serial numbers permit the identification of a machine, even though there was only a painted number beside the serial number on each machine purchased? Would not the fact that the government had these serial numbers in their books permit of easy identification?

Mr. JOHNSTON: I do not think it would be just as easy to identify a machine after it had been moved from its location, let us say, several times.

By Mr. Browne:

Q. Is there any legislation which places an obligation on a corporation to undertake this work?—A. The obligation is contained in the contract, by reason of the contract.

Q. Who holds that contract and has a record of it?—A. It would be with the Canadian Commercial Corporation and subsequently with the Defence Production Department.

The CHAIRMAN: Gentlemen, it is now three minutes to one. Shall we adjourn at this point until tomorrow at eleven o'clock in the morning?

Mr. FRASER: That is what is indicated in Votes and Proceedings.

The CHAIRMAN: Yes. Might I ask if it is convenient for the committee?

Mr. CRUICKSHANK: Which item are we on?

The CHAIRMAN: We finished Item 39, I think.

Mr. CRUICKSHANK: No, no, not Item 39.

The CHAIRMAN: Well, let us stop on Item 37, and keep "Payments in Advance of Work Performed" open for the next meeting. Is it agreeable to have the next meeting tomorrow morning at eleven o'clock? It is agreed.

Mr. FLEMING: What about next week, Mr. Chairman?

The CHAIRMAN: When do we adjourn? We adjourn on Wednesday. Do you want to have a meeting on Tuesday morning at eleven?

Mr. SINCLAIR: Yes!

Mr. FLEMING: I would rather see it Tuesday than tomorrow.

The Committee adjourned at 1 p.m. to meet again tomorrow, Friday, March 16, at 11 a.m.

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SESSION 1951

HOUSE OF COMMONS

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STANDING COMMITTEE

ON

PUBLIC ACCOUNTS

CHAIRMAN—MR. L. PHILIPPE PICARD

MINUTES OF PROCEEDINGS AND EVIDENCE

No. 3

Friday, March 16, 1951

WITNESSES:

Mr. Watson Sellar, C.M.G., Auditor General.

Mr. R. B. Bryce, Assistant Deputy Minister of Finance.

OTTAWA
EDMOND CLOUTIER, C.M.G., O.A., D.S.P.
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1951

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MINUTES OF PROCEEDINGS

HOUSE OF COMMONS, Room 430,
FRIDAY, March 16, 1951.

The Standing Committee on Public Accounts met at 11.00 o'clock a.m. The Chairman, Mr. L. Philippe Picard, presided.

Members present: Messrs. Ashbourne, Benidickson, Beyerstein, Boisvert, Brisson, Browne (*St. John's West*), Campney, Cauchon, Cruickshank, Fraser, Fulford, Fulton, Johnston, Kirk (*Digby-Yarmouth*), Larson, Macdonnell (*Greenwood*), Major, Picard, Richard (*Gloucester*), Robinson, Sinclair, Stewart (*Winnipeg North*), Welbourn, Wright.

In attendance: Mr. Watson Sellar, Auditor-General; Mr. R. B. Bryce, Assistant Deputy Minister of Finance.

The Committee resumed article by article consideration of the Auditor General's Report for the fiscal year ending March 31st, 1950.

Mr. Watson Sellar was called and questioned on the various articles of his report, under study, and Mr. Bryce was again asked to answer certain specific questions arising out of the study of the Auditor General's Report.

At 1.00 o'clock p.m., the Committee adjourned to meet again at 11.00 o'clock a.m., Tuesday, March 20, 1951.

ANTOINE CHASSÉ,
Clerk of the Committee.

MINUTES OF EVIDENCE

HOUSE OF COMMONS,

MARCH 16, 1951.

The Standing Committee on Public Accounts met this day at 11 a.m. The Chairman, Mr. L. Philippe Picard, presided.

The CHAIRMAN: Order, gentlemen:

We have a quorum so I think it is in order to proceed. When we adjourned yesterday we agreed that we would start over again with items 38 and 39, "Payments in advance of work performed". Are there any questions on these items?

Mr. Watson Sellar, Auditor General, called:

Mr. R. B. Bryce, Assistant Deputy Minister of Finance, in attendance.

Mr. CRUICKSHANK: On item 39, Mr. Chairman; I don't suppose there is very much involved in that, is there? It says, "to make progress payments as they become due", and it refers to silver flatware required by missions abroad. Apparently they gave this order for flatware to a silversmith at Lansing, Ontario. It also says that it was noted that the department was demanding delivery of the blades and dies and was taking steps to terminate the contract. The question I want to ask is this: is that the only step that has been taken with regard to this money that was paid out? The reason I am asking is that I wondered what the situation was there; what advances you make to manufacturers of this kind. Do they get it all? I am satisfied that the government is not going to lose anything on this, but I was wondering if you had anything you wanted to say about it. I am not complaining about the purchase of blades, dies, and so on, but I notice that progress payments amounting to \$1,743 have been paid yet apparently you have received nothing at all for that amount.

A. The situation is this, sir; the Department of External Affairs decided that they wanted to secure silver flatware for use in the embassies suitably marked with the arms of Canada, and so on, and in 1947 they were of the opinion that silverware was in short supply so they negotiated with this chap who is a specialist in this particular line; it is a part time activity with him, he has a little place at this town of Lansing in Ontario. They gave him a contract. He undertook to do the work but he was short of money. He hired one or two men and secured dies and blanks and so on; but he never had enough money to produce the goods and he could not get progress payments. He had been made, as pointed out, some advances. A year ago the department decided: here, this thing can't go on; so they sent treasury cost accountants to examine into the situation. They reported that this fellow was making some progress, that he had some pieces made, but in no instance did he have enough to make a complete set for an embassy. The department then went after him and as a result in August of this year terminated the contract and ordered the goods that had been supplied to date returned to the department so that they could get some other contractor to finish it off. The department considers that it is breaking even, that the government is not losing any money if and when they can complete these sets.

Q. In other words, he did not do his part in this case?—A. In my opinion the department erred in taking on this chap.

By Mr. Browne:

Q. How did they come to pick the man; he could not have had a national reputation?—A. You would have to ask the department, I am going by the files. The files indicated that this chap had been recommended to the department as an expert, a skilled craftsman.

By Mr. Cruickshank:

Q. Yes, to do this special work.—A. His regular employment is that of a teacher. This was a part time activity of his, and on small orders he did very fine work. Where the mistake was made was in giving the chap a big order when he didn't have the facilities for doing the work.

Q. You would at least have the dies and some of the stock.—A. Yes, the dies and the blanks and whatever had been finished. The department is of the opinion that we are not out of pocket but we haven't secured what we wanted.

Q. In other words, we incurred a recoverable debt.

By Mr. Browne:

Q. Item number 38 seems to me to be somewhat important: payments in advance of work performed. Have you any record of the amount of work done with respect to which payments were made in advance?—A. You are speaking about ships?

Q. Yes.—A. The rule of the shipbuilding trade is that when a keel is laid so much is to be paid; when the boilers are in the yard so much is paid, and from then on so much is paid as the work progresses.

Q. Then it is a progress system of payment?—A. Yes. In the ordinary building trade the contractor is paid on the basis of progress of the work he has done in a particular month. The engineer in charge, that is the government engineer, surveys the amount of work that has been done and the contractor is paid 90 per cent of that, 10 per cent is held back to insure completion of the work. Now, in this particular case these are prefab houses. The ordinary provision regarding progress payments was in the contract, but in the course of the performance of that contract the Canadian Commercial Corporation added this proviso after the contract had been awarded: "provided that the contractor may include in his progress claim material on the site but not yet incorporated in the work, an inventory of which shall be checked and surveyed by the engineer prior to acceptance and payment thereof". Ordinarily he would not be entitled to anything even if he had it on the site until it had been incorporated, but in these cases a variation was made.

Mr. MACDONNELL: Your point there being that this is not a matter of a progress payment; it was really an accelerated payment.

The WITNESS: Ordinarily he would have financed his cost as he went along; it might not be much.

Mr. BROWNE: That was a special provision written into the contract. Is that always included?

The WITNESS: No. In this case the contract as awarded provided that the claims would be for materials incorporated in the project.

Mr. MACDONNELL: I know that in ordinary practice, in non-government practice, these progress payments are made on the basis of the prefab material on site.

The WITNESS: I have no knowledge of that, sir.

By Mr. Browne:

Q. What is this prefab material?—A. These were houses.

Q. I know, but what was the nature of the prefab material?—A. On this type of house I understand the lumber was prepared; it comes cut to various lengths and then is directly assembled into the houses after it gets there.

Q. It would not be like the wall of a house or the floor of the house?—A. It could be, sir; but I would not say it was.

Q. And to what extent does that practice prevail?—A. These are the only contracts, sir.

The CHAIRMAN: Shall we then go to items 40 and 41, "countable advances:"

The WITNESS: If I may interrupt, Mr. Chairman; with regard to paragraph 41 the government has taken appropriate action in connection with travel advances.

By Mr. Macdonnell:

Q. With regard to item 40, how long has that amount been outstanding? A—They have not in the past made it a practice to clean up at the end of each year, but on the plan which has now been instituted they will clean these up periodically.

Mr. FRASER: I see the amount if \$40,000 of outstanding advances—what about that item of \$2,000?

The WITNESS: You are on the next paragraph, item 41. I was dealing with the \$40,000 in item 40.

By Mr. Macdonnell:

Q. I would like to ask Mr. Sellar about item 40.—A. Yes sir.

Q. Reading in the middle of that section: "Treasury Board may grant extensions up to sixty days. One purpose of the enactment is to safeguard against the equivalent of loans, while another is to reflect costs in the year in which incurred. Examinations of Navy advances made for travel expenses disclosed that year-end accounting treatment was to transfer approximately \$40,000 of outstanding advances to 1950-51 accounts, without the holders being required to make an accounting." Now, I would like to hear any comment you have to make on that; also, I want to ask you this question: looking back to the Department of National Defence, Naval Services—could you turn back to M-29—

The CHAIRMAN: Should we not confine ourselves to what we agreed to, these items?

Mr. MACDONNELL: I only want to ask the question, whether this item of \$1,720,000 which appears there is the gross travelling expense item. That is all I am referring to.

The CHAIRMAN: I have no personal objection to that, but I am trying to conform to the expressed wish of the committee.

The WITNESS: I think I can answer Mr. Macdonnell's question. The item to which he is referring is for \$1,720,000, there are a number of smaller items such as in the paragraph below that one.

By Mr. Macdonnell:

Q. Yes?—A. You see it?

Q. Yes.—A. The \$40,000 is incorporated in all. You will see in relation to the big sum involved that the amount outstanding was not so colossal. Now then, you asked a question, you say that could be the equivalent of a loan: in certain cases it is permissible to make standing advances to an officer who is

frequently travelling. That is to say, he may be on the road a week, after that he may be home for a day, and then he might have to go away to some place where he would be away for a month. In order that he can have money to finance his trip there is a procedure whereby he can be granted a fixed advance. It may be \$100, or it may be \$500, but the risk of that sort of thing is that it becomes a loan if a fellow does not travel as frequently; a non interest bearing loan, which at the end of the year will just be adjusted and a new one made; and both the Treasury Board and the audit office try to be very careful to avoid that sort of a situation arising. We think that is the bankers' business, not the business of the government.

Q. Would this \$40,000 represent an accumulation of advances of that kind, each of them small?—A. The \$40,000 involved covers various Naval personnel and officers, including officers travelling; they are given an advance before they start their trip. Let us assume they were going to Toronto. They might be given an advance of \$15 for expenses at Toronto if they were to be there one day; or if they were going to be there for two weeks or more they would probably be advanced a larger sum. They get a warrant for their transportation. They must on their return account for this "X" number of dollars. If they were civilians they would make an accounting of that and return the unspent amount; in the case of Naval personnel they did not have to make an automatic accounting on their return; and that was where this \$40,000 accumulated between last fall and the end of the year.

Q. Why were military personnel treated differently from civilian personnel in connection with the treatment of their expense accounts?—A. Well, for various reasons, sir; actually, they are worse off than civilians when they travel.

By Mr. Cruickshank:

Q. Why?—A. Secondly, you have to take into calculation various allowances that they are authorized to receive which may not be stopped when they are away. A civilian has to buy his own food while personnel in uniform may be paid an allowance for rations, for living out of quarters; and when he is travelling we say he should use part of his allowance to pay for his board.

Q. That would be all right for a married man, but it seems to me that it is a discrimination against the men of our Navy; surely they ought to be able to have enough to eat, like anybody else. In my opinion they should have been paid more. Surely, the government don't expect a Navy man to have to eat bread and jam when he goes to Toronto.

Mr. MACDONNELL: He can get the money for it.

Mr. CRUICKSHANK: But he does not get the same amount of money that a civilian gets.

The WITNESS: In the armed services as a rule their travel allowances are based on so much per day, and that amount diminishes according to the length of stay. If a man is there one day he would get a higher allowance than if he were at a place for a month, on the ground that he should go to a boarding house rather than stay at a hotel if he was going to be there for a month. A civilian when he travels gets his actual expenses, he is not on a per diem, and he has to prove every item of expenditure; but the military man when he is travelling is, as I say, on a per diem basis, and it is a modest per diem. I have heard various officers complain that when they are travelling with a general who gets a higher rate than a lieutenant who is with him—the lieutenant has to stay at the same hotel and often eat at the same table—

Mr. CRUICKSHANK: Yes, he has to eat at the same table, and so on and so forth; it is not fair.

The WITNESS: He can be out of pocket; however, that is actually a matter of defence policy, a question which that department should deal with. I am just the Auditor.

Mr. BROWNE: There is nothing we can do about it.

The CHAIRMAN: As Mr. Sellar points out, it is a matter to be dealt with by the Department of National Defence.

Mr. MACDONNELL: These incidental things are often the most interesting items that come to our notice.

The CHAIRMAN: Yes, many of them are very interesting. Now, gentlemen, I think we have enough on that point. I think on item 41 Mr. Bryce had an explanation to give.

Mr. BRYCE: Well, sir, I enquired about item 41 when I saw it in the Auditor General's report, and I might read the following information from the treasury office of the Department of National Defence:

Although numerous attempts had been made to obtain particulars of actual amount advanced and the source from which the advance was obtained it was not until February 12, 1951, that we finally ascertained that the advance had been made by the Comptroller of Military Accounts, Rawalpindi, Pakistan. Action was immediately taken through the Overseas Treasury Office to effect re-imburement through the Office of the High Commissioner for Pakistan in London, England, at the same time a refund was obtained from the Officer to whom the advance was issued.

That was the information which was supplied to me. I do not have anything further than that.

The CHAIRMAN: Are there any further questions on item 40 and item 41 "Accountable Advances"? Then we shall pass on to items 42 and 43 "General Election Expenditures".

By Mr. Wright:

Q. With respect to item No. 43, Mr. Chairman, it states:

It is noted that this was relied on to award higher amounts to some printers than are authorized by the tariff.

But it fails to state what amounts were involved.

A. The situation arose in this way, Mr. Chairman. There is a document known as the Grant of the Poll which is, as you know, a very large document. Now, some printers, particularly those in country places, have not presses which are large enough, or they may not have type enough to permit them to print that document all at once. They have to print it in two sections and then paste them together. Of course, that adds to their cost. So they made representations to the Chief Electoral Officer that they should be compensated. Those were the sort of things.

Q. May I ask what were the total amounts involved?—A. I have not got the amounts. Secondly, in some cases in connection with ballot papers some printers asked for special adjustment. The practice of the Chief Electoral Officer, when he receives such an account is to ask the advice of the King's Printer as to the reasonableness of it. On some occasions the request is granted. It so happens that I am a printer by trade myself. Such cases as these used to come before me when I was required to have to tax them—to check the claims as to reasonableness, and as to whether the amounts granted were reasonable. The regulations cited in the Report have to do with extra powers which are vested in the Chief Electoral Officer in cases having to do with election officers. A printer is not an election officer.

I have an assurance from the Chief Electoral Officer that before the next election he will submit recommendations to the Governor in Council for a suitable correction or variation of the regulations so that he can deal with these cases. You have asked me for the amounts involved. I cannot give those amounts to you, sir. But I can say that they were not big.

Q. I would like to make one comment on the scale of fees which are granted to enumerators and to other people who are engaged in our election machinery. In my opinion, those fees are entirely inadequate. For example, in my own constituency during the last election I know of enumerators who were appointed but who just simply could not do the work, on the basis of the fees paid. And the result was that instead of making a house to house canvass they simply went to the municipal office and made a copy of the voters on the municipal list. It was entirely inaccurate as far as a federal election was concerned. So I think that this committee should make some recommendation to the government with regard to the remuneration of election officers before another election because I do not think we can get efficient election officials at remuneration which is being paid at present.

The CHAIRMAN: I have no objection to placing this matter before the steering committee when we draw up our report but I doubt if I can attach either of them to these two items here because we are considering printing matters. But personally I agree that these men are underpaid and I think that most members will agree as well.

Mr. CRUICKSHANK: Does not the Auditor-General himself make a recommendation in that regard in the wording of his report?

The WITNESS: I am dealing there only with the allowance for offices.

The CHAIRMAN: We might tie it to that. But I do not think the remuneration of officers is concerned in these two items. However, I shall try to find a way to include it, although it does not concern these two items.

Mr. BROWNE: Mr. Chairman, is there not a committee in existence which deals with elections, and the revising of the election act?

The CHAIRMAN: I think so.

Mr. JOHNSTON: In regard to the statement made by Mr. Sellar concerning the printing of ballots and election material in rural places, I know of at least two places during the last election. I am not criticizing any particular individual about it, but the fact is that contracts in connection with election papers were let to rural printers, yet those rural printers were not in a position to complete the contracts. They did not have the equipment. That fact was known before the contracts were let. Consequently, those contracts were sublet to an urban printer. So I wonder if there is any way in which the Auditor-General can check up on that practice because obviously there is an extra charge made when a contract is sublet. I do not think it should be permitted.

The CHAIRMAN: Is there not a fixed fee for that kind of printing? And in the case of the rural printers you have mentioned, would they not have lost their commission, or would they not have just made a smaller commission, while the city printer made the money, because there is a fixed fee for that kind of printing?

Mr. JOHNSTON: I am not so sure of that. I think there is an added amount given to certain printers, depending on their ability to do the job.

The CHAIRMAN: The last time I read the Act I think it said: so much for such and such type of work, so much per ballot, and so on at a fixed fee. But in some cases we have a hard time to find printers to do the work at the price

the government pays. However, the fact that a contract may be passed on to an urban printer does not necessarily mean that the government pays more than the established amount.

Mr. JOHNSTON: I know of one case where a contract for printing was being let to another place and the fellow who was going to get it definitely said he would not and could not print it for that amount.

The CHAIRMAN: Is that so?

Mr. JOHNSTON: However, he did print it though. I think in that case there was an adjustment. That is what I meant by that statement of mine. I am almost positive about it but I could not swear to it.

The CHAIRMAN: The law does not provide for it. However, we can ask the Auditor General if he knows of any case in which this sort of thing was done.

The WITNESS: I am sorry, but I have not any such case in mind. It may well be, and I am not questioning Mr. Johnston; if he would give me the name of a case, I would be glad to look up the file and report to you.

Mr. JOHNSTON: I did not mention it to get any individual into trouble. I do not think the amount was sufficient to do that. But I do know the individual's name and where he lives, and I know the individual quite well personally. And I do think that if that practice is followed it is a wrong practice.

The CHAIRMAN: That is a serious thing you are saying. The only way we can investigate a case is to get the name. As the Auditor-General has said, the committee is in no way able to deal with your question unless you give the Auditor-General the information which he asks.

Mr. JOHNSTON: I realized that, Mr. Chairman, and I just brought it to the attention of this committee to see if such practice is continued on a very large scale.

The CHAIRMAN: We cannot say "continued" when we do not know if it is in fact carried on.

Mr. ROBINSON: It has not yet been established, Mr. Chairman, that there is any such practice. Mr. Johnston quoted one isolated incident, and stated that he has no accurate knowledge even of that incident.

The CHAIRMAN: The only way in which the committee could deal with it would be to give the Auditor-General the information which would enable him to go into the matter more closely.

Mr. JOHNSTON: If that is the general practice, I think that some steps should be taken to curtail it.

Mr. BENIDICKSON: Mr. Chairman, has not the Auditor-General stated that he knows of no such practice along that line?

Mr. BROWNE: But he speaks of higher amounts paid to some printers in certain cases. He says that was done.

The WITNESS: I know of one case in connection with ballot papers. There are quite a number of cases in connection with the Grant of the Poll poster. I cannot give you the number. There may be 25, it may be more or less. But in each of these cases, the amount claimed was not large.

By Mr. Johnston:

Q. At the top of page 16 of your report you say:

It was noted that this was relied on to award higher amounts to some printers. . . .

That is in the plural, is it not? Can you tell us just who these persons were?—A. I have not got their names here, Mr. Chairman.

Q. Then you are in the same position I was.—A. I have them, of course, in my records.

Q. So have I.—A. The essential point I am making is that a printer is not an election officer; yet the extra grant is given by relying on that regulation.

The CHAIRMAN: As to Mr. Wright's suggestion with which I am entirely in agreement, I might say that there was a special committee on the Dominion Elections Act, 1938 which sat last year. And one of their recommendations was that a similar committee be set up early in this session. Therefore, if such a committee sits, that would be the place to make a recommendation as to higher compensation to electoral officers. Now, are we satisfied that we have dealt with items 42 and 43?

By Mr. Stewart:

Q. I have one question on item 43, Mr. Chairman. It has to do with the scale of allowances for returning officers for accommodation. I wonder if the Auditor-General can tell us if the returning officers request the actual sum expended for rent, or do they request payment for the full rent permitted?—

A. In some cases the election officer would be using his regular office the one he uses in his business and he will, as a rule, allocate a division of the use of that office during the period, between his election duties and those of his ordinary business. However, from the audit viewpoint, we look into the matter when the amount claimed exceeds that which is authorized. If it be the same amount, or less, we regard it as a function of the Chief Electoral Officer to satisfy himself that the man in question has earned that amount. So it is only when the amount claimed goes over what the tariff provides that we are directly concerned.

Q. When it is over that which the tariff provides, do you demand to see receipts for the full payment?—A. Oh, yes. He has to justify it to the Chief Electoral Officer.

By Mr. Fraser:

Q. What would happen in the case of a returning officer who used offices in a government building, where he would not have to pay rent? Does he just put in his charge in the same way? I think it happened in Peterboro. They used offices vacated by the Trent Canal Department.—A. I would have to check that, sir. My impression is that he would make no claim whatsoever for rent. This is supposed to be an actual outlay supported by vouchers. But I would have to check that case for you.

Q. It was done in the case I mentioned. They used the offices vacated by the Trent Canal people.

The CHAIRMAN: Are there any further questions on these items? May we now pass to items 44 and 45 "Prairie Farm Assistance Act"?

By Mr. Macdonnell:

Q. I would like to ask a question here. I know that in the Prairie Farm Assistance Act there is a levy made on certain sales of wheat and the proceeds of that levy are available for the purposes of the Prairie Farm Act; and then it says further on in the Act that if at any time the fund is insufficient to pay awards made under this Act the Minister of Finance may make advances to the fund. Now, do I understand from reading the Auditor-General's report, section 44, that by reason of the fact that these advances have not been repaid that the Department of Finance does not treat moneys so provided as "advances" but instead they are recorded as expenditures of the year in which they are made? I realize from a common sense point of view it is difficult to avoid that but does that mean, in effect, that the Department of Finance is making expenditures

of amounts which are only authorized as loans?—A. The distinction is this, sir: if the Department of Finance regarded the amount supplied or paid out in connection with this Act as an advance they could set up an asset item in its accounts and use that to result in a less increase in the net debt than if they regarded it as an expenditure. They have taken the view that as this scheme has never been self-supporting, that is, the one per cent levy has never produced enough money to carry it, the fair thing to parliament is to state that it is regarding this as an expenditure rather than as an advance.

Q. How is it actually done?—A. As an expenditure of the year.

Q. I realize the common sense of that but in effect does it not still remain that there is no authority for the way it is being done; and how can the authority be got, and how far can this be carried? It is the commonsense way of doing it, I know, but common sense often differs from the actual authority. Is the Department of Finance going to change the authority, or am I reading it fairly? What is being done?

The CHAIRMAN: Perhaps Mr. Bryce could answer that.

Mr. BRYCE: I think, sir, in answer to Mr. Macdonnell's question, the Department of Finance has taken what he describes as a common sense view in its accounting. Now, it may well be that his comment that the Act should be amended to bring it into accord with the common sense view is correct, but I think that is a matter for the minister responsible rather than for myself. The Department of Finance has felt that while it might be legal it would not be common sense to show these as recoverable advances.

Mr. MACDONNELL: I was not suggesting you should show them as recoverable, but merely as advances.

Mr. KIRK (*Digby-Yarmouth*): Is there anything in the Act to show that if the one per cent levy builds up in subsequent years that these advances will be recoverable? Is that why the term "advances" is used?

Mr. BRYCE: If in any subsequent year there is a surplus in the fund it goes to reduce any previous advances.

Mr. KIRK: Then it really is an advance in the form of a loan which you hope might be recovered?

The WITNESS: That is what the act contemplates but unfortunately experience has demonstrated there has never been a year in which there has been a surplus.

Mr. WRIGHT: It states here on page 16:

It was noted in the audit that this regulation is not strictly applied, cases being observed where payments were made to sons operating farms under verbal leases;

and it goes on to give other instances. How common is the practice of making these grants outside of the regulations? It would indicate here that there are people who are getting grants who are not actually covered by the regulations. What proportion of cases are paid outside the regulations?

The WITNESS: Perhaps I can answer your question easiest by saying the board reviewed or considered last year, approximately 900 cases of verbal leases and so on, and they allowed 488 and rejected quite a number of others. They allowed approximately 200 in part.

Mr. MACDONNELL: How many cases in all? The figure you have given of 900? Is that all the cases?

The WITNESS: That is for the season and covers the three provinces.

By Mr. Wright:

Q. Were there any paid in Manitoba last year?—A. Oh, yes, sir.

Q. There were?

Mr. JOHNSTON: Can you give them by provinces?

The WITNESS: Yes. It is set up by provinces on page A-37 of the Public Accounts.

The CHAIRMAN: Any further questions on this Prairie Farm Assistance Act? Shall we go on to "civil service superannuation," items 46, 47 and 48?

By Mr. Fraser:

Q. What is meant by this last line on page 16, about the x-ray operators in the Department of Veterans Affairs? Is it meant by that that they are not really in the civil service?—A. Yes, sir, they are in the civil service, they are assigned by the civil service commission on six months certificates. The regulation says, and this is made by the Governor in Council:

The Treasury Board may designate an employee in the Civil Service who is in receipt of a stated annual salary and who is employed for a fixed term of not less than three years, to be a civil servant for the purposes of the Act . . .

Now, then, men are assigned on a six months certificate; they are not on a three years employment basis. What the Civil Service Commission certified was that in these cases the Department of Veterans Affairs will require x-ray operators for three years and based on that these people were given that status. Now, my sole objection to what is done is that every civil servant makes his plans according to his pension potentialities; he buys a house, he takes insurance and so on; and I dislike anything that may bring into risk later on a man's expectations on his superannuation; and that is why I am noting that case.

Mr. BROWNE: What do you suggest as a remedy?

The WITNESS: I think they are taking appropriate steps to remedy that. I am not sure, but I believe the Treasury Board and the Civil Service Commission have dealt with that subject recently.

The CHAIRMAN: Perhaps Mr. Bryce could comment further on that?

Mr. BRYCE: The problem here is really the nature of the employment. The Civil Service Superannuation Act provides for these term employees, but they are not provided for under the Civil Service Act. There are certain parts of the civil service where employees can be appointed for a term—for instance, in the National Research Council—and they may come under the Superannuation Act. The Department of Veterans Affairs did not wish to make certain of their employees permanent in the sense that that term is normally understood in the public service. They had what the Treasury Board regarded as valid reasons for that departmental policy. The Auditor General has commented, and correctly so, that since these employees had been appointed under the Civil Service Act they could hardly have been appointed legally for a fixed term. Consequently, following the Auditor General's drawing of this to our attention and the investigation of it by the officers of the Department of Justice, the Civil Service Commission has now issued permanent certificates for those individuals and they are covered under the Superannuation Act on that basis, although I believe they understand that the department does not regard their employment as necessarily permanent.

Mr. FRASER: But it would be permanent for the three year period anyhow.

Mr. BRYCE: Well, of course, legally, anyone employed under the Civil Service Act is employed at His Majesty's pleasure and has no legal claim for indefinite employment.

Mr. JOHNSTON: I do not think that would overcome Mr. Sellar's objections to that.

Mr. BRYCE: It does in a sense that the nature of their legal appointment and the nature of the certificates issued are in accordance with all the laws, but it does not mean that the employees have any real assurance of employment.

Mr. FRASER: It is merely a form that will enable them to have superannuation while they are in the employ of the Department of Veterans Affairs, which they should have. They should have security of some kind, as Mr. Sellar says.

Mr. BRYCE: The important thing was that they shall be able to acquire pension rights through such term employment.

Mr. FRASER: That is only fair.

The CHAIRMAN: Any further question on these three items?

We come now to "financing of services by the use of corporate credits", item 49.

By Mr. Wright:

Q. I think I should ask the Auditor General a question on case III here in which he indicates that under the Agricultural Prices Support Act and the Fisheries Prices Support Act, these organizations, especially the Fisheries branch of it, have made certain donations to relief funds and yet these show as deficits in that account. Why should they be shown as deficits in the accounts of the Fisheries Prices Support Board when they are in reality gifts by the people of Canada? Yet they appear as deficits and indicate that the Fisheries Prices Support Board has made a loan when in reality they were gifts of the people of Canada?—A. The fish in question, were acquired by the Fisheries Support Board to support the price of fish in Canada. They sold part of it to the trade, part of it for export, and they had a balance on hand. They are given power by the Act to sell or otherwise dispose of such fish. In the course of the year donations of fish, to get these out of their inventories, were made to Canadian hospitals and to the refugee relief organization in the far east, and UNICEF and so on. In the report of the Fisheries Prices Support Board, which has been tabled in the House of Commons, they give the disposal of the fish that they acquired.

- (i) Commercial sales to exporters at prescribed prices, 2,810 cases.
- (ii) Sales to UN International Children's Emergency Fund at discount of 15 per cent, 7,479 cases.
- (iii) Government authorized gift to Middle East Relief through Canadian Red Cross Society, free at dockside Saint John, N.B., 40,000 cases.
- (iv) Government authorized gift to United Nations for relief of displaced persons in Middle East, free at dockside Saint John, N.B., 55,662 cases.
- (v) Government authorized gift to Canadian public and charitable institutions, free at cars Saint John, N.B., 45,044 cases.

A year ago, I mentioned this subject to this committee. It came to my notice by reason of the fact that I am auditor of one of the international agencies concerned. I said it involved a question of policy. Therefore I was much interested later on in observing that when the supplementary estimates were brought down for the current year provision was made in a vote of the Department of External Affairs for the grant of \$750,000 in the current year for relief purposes in the near east. Therefore, the question you asked, sir, has been answered by the government anticipating you and putting the vote in first, and while I have not looked at the records my assumption is that if the Board does acquire some fish and it is used as a contribution, it would get a credit from the vote to the value of the fish. Therefore, you should not have that deficit figure appearing next year.

Q. I was not objecting to the gift, I was objecting to the method of saying there was a deficit in this account.—A. Of course I cannot speak for government policy but the action taken last year would indicate that it is in harmony with what you have in mind.

By Mr. Fraser:

Q. On this case what was the date of the contract? When was it entered into?—A. I am sorry, sir, I have not got the date, but I think it was in 1946.

Q. Right after the war?—A. Yes.

Q. You do not know how many ships there were?—A. No sir. Again, I say "no" quickly, but I think it was either seven or nine.

Q. Were those the ships which were completed at a cost of \$80,000?

The CHAIRMAN: The last two paragraphs of the section give you the details.

Mr. FRASER: Just part of the details.

Mr. LARSON: Is this \$11,400,000 the total amount?

By Mr. Fraser:

Q. No, and I just want to know how much they each cost. Mr. Sellar has not got that information.—A. No, sir. I have not that because this is the loss on the thing—we were not the contractors.

Q. No, I know that.—A. The Chinese firm was the contractor.

Q. Yes.—A. We were dealing with the builder and his financial problems, so I would never have the contract before me, sir.

The CHAIRMAN: Are there any other questions?

By Mr. Larson:

Q. In Case I is this \$11,400,000 the total amount of the subsidy paid by the government to the Canadian people for these grants in 1948 and 1949?—A. That \$11,400,000 was made as an advance; there had been an advance the year before which had not been fully accounted for so I would say that you would have to regard that as an approximate sum.

Q. You have not any figure of the total advance in that connection?—A. No, sir, I have not. I could get it of course, but the Department of Finance would be in a better position to answer than I am.

The CHAIRMAN: Are there any further questions?

By Mr. Macdonnell:

Q. Yes, I would like to go back to section 49. The first sentence of section 49 points out the old rule whereby financial undertakings are conditional upon the grant of money by parliament. You then point out the change that has arisen, wherein Crown corporations are allowed to operate to some extent on their own. Can you recall, in a general way, which ones operate on their own and which are still dependent—the main ones, for instance? Polymer is independent is it, and carries on just like an ordinary business enterprise?—A. Yes, it carries on just like an ordinary business enterprise. However, you have Canadian Arsenals as an example of a case where it has the use of its own revenue, but its revenue has never been in the past sufficient to carry its overhead in connection with idle plants of which it is custodian.

Q. Its revenues do not go into consolidated revenue?—A. No; in all cases these companies retain their revenues.

Mr. BROWNE: There is a list at the beginning?

The WITNESS: Yes, in some cases they have to be supplemented by a vote—Canadian Arsenals being one.

By Mr. Macdonnell:

Q. I am interested in case II, in connection with a shipbuilder, and I want to read section 4 of the Act which, I take it, is the only authority, if there is any authority, for the advance of those moneys:

The corporation is established for the following purposes:

- (a) To assist in the development of trade between Canada and other nations, and
- (b) To assist persons in Canada
 - (i) To obtain goods and commodities from outside Canada;
 - (ii) To dispose of goods and commodities that are available for export from Canada.

The corporation shall comply with any general or special direction given by the Governor in Council, or the minister, with reference to carrying out its purposes.

Now, if I understand that correctly, that is to assist the trade to obtain goods and commodities, and to dispose of goods and commodities. Now where, in that, do you find authority to do what was done here?

Mr. FRASER: To build ships for China—that is what it was.

The CHAIRMAN: We are dealing with item 49.

By Mr. Macdonnell:

Q. Let me read the next paragraph:

Section 8 directs that all moneys of the corporation shall be administered “exclusively in furtherance of the purposes for which it is constituted.”

My question is: I do not see where the authority came from?—A. In this particular case, sir, it has already been discussed in parliament.

Q. Yes, I know.—A. And you have already granted an appropriation to reimburse Canadian Commercial Corporation.

Q. I know.—A. Now, at that time I was worried as to what my situation was going to be, as auditor of that company. What liability rested on the directors of a Crown company—directors who served without remuneration, and who are merely nominal shareholders—if they made an ultra vires payment of corporate moneys?

Q. You don't say “when they made it.”—A. Fortunately your supplementary estimate removed my worry. Therefore, I had only to look at it as a business transaction from then on as they were then acting as agents.

However, as pointed out there, this company is under obligation to receive directions of its minister. Now if your memory is still fresh on this subject—

Q. It is— —A. —parliament was asked to make two grants: one was in connection with these contracts, or the completion of these contracts; the second was to pay for certain tin and antimony required for stock piling purposes. I had no worry in my mind with regard to the stock piling, but I did worry over whether the advancement of trade section did contemplate financing an exporter in performing a contract. In each of these cases there has been legislation since, but they are put in to illustrate.

Q. Legislation, or an item in the estimates?

The CHAIRMAN: It is the same thing.

The WITNESS: An item in the estimates, which becomes part of an appropriation.

Now, my thought is this, sir. The corporate device is a most useful device and, on the scale of government today, you cannot use anything else for certain classes of commercial transactions. However, we cannot ignore the constitu-

tional history of Canada. Back in the 1830's in particular, a problem arose when Papineau, in Quebec, and Mackenzie and others, in Ontario—those provinces were then Upper and Lower Canada—were in controversy with the Crown over the sale of Crown lands and so forth, where the money was retained in a special account of the Crown. You could have a recurrence of that situation if you do not regulate the use of corporate money satisfactorily. My thought is, and I give it only as my thought, that the appropriate action is to see that corporate moneys are applied only to purposes within the ambit of the legislation covering the corporation.

Mr. MACDONNELL: It raises this question, which I may say I have never thought of before. We have no protection from the directors of these companies if they do something they have no right to do. The minister can say quite frankly, because he said it when the estimates were up, that when we passed the item that settled it. I raise the question because I think it is important. It seems to me that we have no control over the directors unless they are independent, outside men. After all, it would be too much to ask a group of people in the department to say that they will not do what the minister tells them.

The CHAIRMAN: Is not the minister empowered by the Act to give direction?

Mr. MACDONNELL: Not as I read the Act. He is empowered to give directions with reference to the Act in carrying out its purpose. I think that Mr. Howe said: What is the use of arguing, if we pass that item does not it settle the matter? That was pretty sensible too, because it does.

Mr. BROWNE: When was this passed?

Mr. MACDONNELL: It came up in an item and we passed it. Mr. Howe said: What is the use of arguing about it; if we pass it that settles it.

Of course it does, but it does not settle the fact—

The CHAIRMAN: The principle.

Mr. MACDONNELL: Yes. It raises a question I have never thought of before. What protection do we have? I am not going to get too excited about this, but it involves a loss of several hundred thousand dollars, which is not exactly chicken feed. We have no protection at all, and the minister can work on that principle and say: don't worry about that, we will put it through the estimates and have a second line of defence, or a second line of attack. I think it is a serious matter. Mr. Howe says it is not, but I think it is.

The CHAIRMAN: I think the Auditor General may have a word to say on that.

The WITNESS: I do not think I am divulging any secret when I say I know that the Department of Finance is giving very serious consideration, in its revision of the Consolidated Revenue Act, to providing some general safeguards with respect to financial administration of Crown corporations. What they have finally decided to do, I do not know, but I know they are thinking of it.

Mr. MACDONNELL: We hope they are.

The CHAIRMAN: Shall we carry on?

By Mr. Browne:

Q. This item of \$440,000 has not been settled since you wrote this report?—
A. No, sir. It will not be settled until we know the actual loss. It is \$440,000 but they have to make certain adjustments.

Q. Who is carrying that now?—A. It is being carried in the books of the Department of Trade and Commerce.

Q. But it is the government that pays the money?—A. Yes, the government.

Mr. MACDONNELL: I presume that will appear as another item in the estimates and we will argue that it be passed—

The CHAIRMAN: The only way we can claim that is from the Mao government, successors to Chiang-Kai-Shek.

By Mr. Macdonnell:

Q. Well, there is one section here that interests me, because I do not fully understand it. You say: "At no time was the capacity of the purchaser to pay the contract price in question." Who was the purchaser?—A. A Chinese firm.

Q. Have they paid the contract price in full?—A. They paid the contract price.

Q. I see.

The CHAIRMAN: Now, we are heading for the "balance sheet of Canada." I think we had better treat the next 29 items as we did before. Let us start with 50, 51, and 52, the first three preliminary numbers.

The WITNESS: Mr. Chairman, might I say that the form has changed a little from last year after what occurred one day when you were absent and Mr. Croll was presiding. The statement which appears in paragraph 53, and a little later on page 60, was just listed as such. Mr. Fraser said that it did not mean a thing to him, and Mr. Croll agreed. I at once decided that when two distinguished gentlemen were unanimous in the opinion that we did not explain things I should revise my style. Therefore, this year I have proceeded by giving a brief explanation of the items. They are not there as criticism but just as information.

Mr. MACDONNELL: Can you tell me at what page in the balance sheet you show what appears here?

The WITNESS: On pages 16 and 17 of the Public Accounts.

The CHAIRMAN: We are on items 50 and 52.

By Mr. Fulton:

Q. Mr. Sellar, the last two sentences of paragraph 51 say: "However, the \$75 million gold and \$6,500,000 United States currency included in Canada's subscriptions were not revalued for balance sheet purposes. Accordingly, as at March 31, 1950, that gold continued to be recorded at \$35 per fine ounce and the United States currency at par of exchange." Your reference to "for balance sheet purposes" means Canadian purposes?—A. Government of Canada. They could have claimed that extra amount if they had wished.

Q. Do you know why that was not done?—A. No, sir.

The CHAIRMAN: Mr. Bryce will answer.

Mr. BRYCE: I think the answer to that question, sir, is that the only assets on our balance sheet which we re-value when exchange rates alter are cash and other current assets. These other items which Mr. Sellar has set down there in his list we do not re-value when exchange rates alter. Now, our subscription to the International Bank and the International Monetary Fund are listed with loans and investments. If you will look at page 16 under the assets column, line 3, at the little (i) and the little (ii), you will see where they appear; consequently, since we treat them as loans and investment we do not re-value those when exchange rates alter. There is an incidental point. There are complicated provisions in the terms of the articles of agreement with the International Bank and the International Monetary Fund that call for certain adjustments in subscriptions when the currency rates of a country alter. That has called on occasion for further subscriptions when our exchange rate decreased. That explains, I think, the net increase and decrease, as I recall it. But the real

point is that the alteration in exchange rate would not automatically result in our re-valuing. Our principle is to value these things at cost rather than current rate of exchange.

By Mr. Fulton:

Q. Can you tell me whether the exchange rate increased the amount to our credit on the books of the International Bank?—A. I think one might summarize it by saying that we are required to maintain the value of our subscription in terms of gold or U.S. dollars so that when our exchange rate alters—say that the Canadian dollar is not worth as much in terms of U.S. dollars—we have to make good the difference and make an adjustment. Those regulations are complicated. I cannot recall the details of them.

Q. In this case you would not actually need to do that, would you?—A. These are not “on deposit” funds. I think perhaps Mr. Sellar in generalizing very briefly may have given the impression that these are on deposit, but they are not, in fact. Our subscription required the payment of so much in gold, so much in Canadian funds and so on; and when paid they do not remain on deposit to our account there; they are part of the way in which our subscription was made up.

Mr. FRASER: I wonder if Mr. Sellar would give us a little further information with regards to items 51 to 53.

The CHAIRMAN: You mean that we should pass on to “assets” item 53?

Mr. FRASER: Mr. Sellar made some reference to them.

The CHAIRMAN: We will get to them in a moment, just now I thought we should finish with items 50, 51 and 52 so that we should proceed in an orderly way.

Mr. Macdonnell, did you have a question?

Mr. MACDONNELL: May I ask one or two questions which arise out of the balance sheet on this item? Would that be proper?

The CHAIRMAN: If this is the only place. We will deal with the summary of these items a little later on, but if it has reference to any particular item it might be well to deal with it now; but if it can be dealt with later on, I think we better leave it. Does it deal with one of these items from 53 to 79? If so, we had better leave it until then, so that questioning may proceed in an orderly manner.

Mr. MACDONNELL: I am not quite sure.

The CHAIRMAN: The headings are not numerous. Suppose we leave open these items 50, 51 and 52, and go on with item 53; then, if you do not find a place there to deal with your question we will come back to it. Is that fair?

Mr. MACDONNELL: Yes.

The CHAIRMAN: Item 53, “assets.”

By Mr. Fraser:

Q. I would like to have Mr. Sellar comment just a little further on “assets”—they appear in these items, 53 to 60—assets and liabilities.—A. Well, I am not sure exactly what you want, Mr. Fraser; but my last paragraph, which is number 79, expresses the hope that in the revision of the Consolidated Revenue and Audit Act they will make an endeavour to declare what are assets and what are liabilities for balance sheet purposes.

Q. Is that the point you have in mind there?—A. Yes. Item 53 is an example to give you what items of assets are; and then items 54, 55 and so on give you an explanation of what are in these big totals.

The CHAIRMAN: On item 54, “cash and other current assets”:

By Mr. Stewart:

Q. With regard to item 54 I notice that the amount we have in blocked currencies increased by an amount of \$1,250,000. I was wondering if we could have an explanation as to how that decrease occurred?—A. Mainly in connection with a settlement with the Netherlands, finally settled off. You will remember that after the war there was some trouble with blocked currencies there in connection with soldiers during the period of occupation; and, of that amount, \$1,652,000 came in by reason of the Netherlands blocked currency.

Mr. MACDONNELL: I think my question arises really under item 53. For instance, I want to ask a question under the first item, cash and other current assets.

The CHAIRMAN: That is the one we are on now.

Mr. MACDONNELL: Yes.

By Mr. Macdonnell:

Q. I am looking at the balance sheet, page 16, and I notice for 1950 a figure of \$7,919,000, sinking fund; which apparently is a new figure because there is nothing in the preceding year. Can you explain that?—A. That is by reason of the government of Canada assuming certain commitments of the government of Newfoundland and associated with that issue, it is an English issue, was a sinking fund, and we took over the sinking fund.

Q. Yes, that is right. Then, the next item, loans to crown corporations, and so on.

The CHAIRMAN: Are we through with item 54? Item 55 "loans to, and investments in, crown agencies":

Mr. MACDONNELL: Mr. Chairman, I think we are still on item 53. I raised a question on the balance sheet.

The CHAIRMAN: They are all contained in a later item. We are now on item 55, loans to crown agencies.

Mr. FRASER: Would it not be wise, Mr. Chairman, just to take this now?

The CHAIRMAN: Well, you see, Mr. Fraser, I just want to keep from going in a haphazard direction.

Mr. FRASER: That would not be haphazard, they are all related to one another.

The CHAIRMAN: We have them under their different headings. If we start questioning on all these twenty-two items we might run into an awful lot of trouble. I suggest that we take item 54, and when we have dealt with that we proceed to item 55, Loans to and Investments in Crown Agencies.

Mr. MACDONNELL: There is a question there. I notice there that under that heading in the balance sheet, railway and steamship companies, there is a reduction from \$764 million to \$743 million; is that an operating profit of the Canadian National steamships?—A. Mr. Bryce will have to correct me, my impression is that the Canadian National Railways floated an equipment issue in New York and took over certain advances that we had made and thereby reduced our commitment.

Q. Well, could Mr. Bryce give us any information on that?

Mr. BRYCE: Excuse me, sir, I was just trying to find the explanation of that. It is given I believe in a notation in the public accounts here, at page XLIV. In the front part of the public accounts there is shown an explanation of the changes in the railway item.

Mr. MACDONNELL: An increase to the United Kingdom and other governments of \$104 million. Would that mean that there are other loans?

The WITNESS: Yes, those are advances made during the year.

The CHAIRMAN: The next is item 56. Are we through with item 55? Then 56, "other loans and investments".

Mr. BROWNE: How does that stand?

Mr. FULTON: I see there is an increase of approximately \$122 million; is that the total amount?

The WITNESS: No. Wait a minute I am taking the total figure. They are up a little, sir. I am just running through them, but they are a few millions up.

What happened, I might explain, is that the Parliament of Canada, I think, in 1946 granted authority to make loans to a total of \$750 million to various other countries. But that loaning power expired at the end of some year, December 31 of either 1948 or 1949. I think it was 1948. There were some loan authorizations which had been approved then, but not all the money had been advanced by that time. So this was just a cleaning up of those little pieces that were left. I think you will find there has not been any substantial variation, bearing in mind that we are dealing with big figures.

Mr. FULTON: Mr. Chairman, I wonder if the Parliamentary Assistant contemplates going to the Soviet Socialist Republic to see about this matter?

Mr. SINCLAIR: I would love to have an opportunity to go and if you would urge the government to send me, I would be very grateful to you.

Mr. FULFORD: Yes, and we would all be there to give you a final good-bye.

The CHAIRMAN: Are there any further questions on item 56?

Mr. MACDONNELL: May I ask how these loans stand at the present time?

The CHAIRMAN: For what purpose, for the balance sheet?

By Mr. Macdonnell:

Q. Yes. Could anything be said about that?—A. You are now looking at that list in item 56, are you not, sir?

Q. That is right.—A. "France, Netherlands, Belgium, China, Roumania, Norway, Czechoslovakia, Indonesia, Union of Soviet Socialist Republics, and Greece."

As I told Mr. Thatcher the other day, the loans to Greece and to Roumania have been in default for quite a number of years, but they are still carried in the balance sheet at their face value.

Q. Is that done as a matter of international courtesy?—A. In all other cases the interest has been regularly paid by the borrowers.

Q. Is there any sinking fund?—A. Whatever provision there is in the agreement for payment of principal by instalments is being honoured. I am talking now of the fiscal year ending last March. They have been honoured and they are carried at their face value.

Q. Even those that are in default?

The CHAIRMAN: No, except Roumania and Greece.

By Mr. Macdonnell:

Q. I thought you intimated that they were being carried too.—A. Those are the two which are in default. The rest are not in default yet.

Q. But did you not say that those two were being carried at their face value?—A. Yes, sir, despite the fact they are in default.

Mr. FULTON: Mr. Chairman, have we had a previous explanation of what the loan to Russia was made for?

The CHAIRMAN: I think we went into it last year.

The WITNESS: I would have to speak from memory. But my recollection is that it was mainly for flour.

By Mr. Fulton:

Q. During the war?—A. At the end of the war, right at the end of the war when the Germans had been pushed out of Russia, there was great distress there and they needed certain food supplies and possibly some farm implements. But essentially my recollection is that it was for flour in particular.

Q. Do you recall the terms for repayment? Is it due for repayment?—A. Mr. Bryce would have to reply to your question, because the basis was not finalized at first.

The CHAIRMAN: Would you care to speak about that, Mr. Bryce?

Mr. BRYCE: Mr. Chairman, it might help to refer to page 24 where under schedule H you will find under the heading "Union of Soviet Socialist Republics" two items. This \$11 million odd that Mr. Sellar reports is divided into two items, first, a loan under the Export Credits Insurance Act, which is shown at \$2,866,098.69. This was a loan for the purchase of electric generating equipment. I believe it was originally arranged in 1944 and was completed in 1945. That loan has been repaid in the past year, repaid in full. The second is for advances that were made just following the close of the war, in the month of September, 1945. The armed forces of the USSR at that time were engaged in operations on the mainland, in Manchuria. They had requested flour and certain other supplies. These were being shipped as Mutual Aid prior to the end of hostilities. I do not have the amount shipped following the end of hostilities, but the general understanding was that the USSR was to repay it in accordance with terms and credits to be arranged. I am sorry that I cannot tell you from memory exactly what the arrangement was with the USSR but I believe we have now worked out the terms of repayment, within the last six or eight months.

Mr. FULTON: Thank you. What about this \$125,000 odd which is shown as a net decrease in the year in question? Is that an actual repayment, or is it a result of revaluation of currency?

Mr. BRYCE: It would not be a question of currency revaluation. I am not certain of the reason for it. It would be necessary to look under the Trade and Commerce items here. It would take a moment or two, but I could do it for you if you wish. I am only speaking from memory, but I believe it represents an item which was originally billed to the USSR, and when we went into the details we found it was diverted at the last moment and this adjustment really represents a proper change in the accounts presented to the USSR.

The CHAIRMAN: Are you satisfied with this? All right.

Mr. FULTON: China has reduced their loan by \$277,000 odd. Is that just a bookkeeping adjustment? Surely there is no money being collected from China?

Mr. BRYCE: China's loan called for certain repayments of principal, I believe, in the year in question, which were made at the time, sir. This was prior to March, a year ago.

The WITNESS: With respect to the tin you mentioned a while ago in connection with the Canadian Commercial Corporation, that tin was acquired from China and China applied the value on her loan here.

Mr. MACDONNELL: Mr. Chairman, I wonder if anything can be usefully said with regard to the financial operations of the International Monetary Fund and the International Banks for Reconstruction? We have got a fairly heavy investment in both, and after all they are business enterprises as well as public institutions?

Mr. BRYCE: Are you asking, sir, that we make a report here on the status of those institutions?

Mr. MACDONNELL: I am. You have got a large investment in them.

Mr. BRYCE: The Bretton Woods Agreement Act is the statute which authorizes our adherence to these institutions. It calls for a report which is tabled in Parliament each year. It is a separate report and you can get it.

The CHAIRMAN: You can get all the details in the report.

Mr. MACDONNELL: I thought it might be of interest if Mr. Bryce himself would care to say a word about the position.

The CHAIRMAN: He might summarize it in a few sentences for us, but I would call attention to the fact that we are only up to item 56 and we have had three meetings so far. I would like to keep to the schedule given to me by the committee. However, if you want to spend the rest of the morning on this subject, I would not object.

Mr. MACDONNELL: I did not intend to spend more than two or three minutes.

Mr. BRYCE: These are very large financial institutions, Mr. Chairman, and I have not been closely in touch with them in the last year or so. Therefore, I would not be able to give you a very good account.

The CHAIRMAN: Let us refer the members to the report tabled in the House on these institutions. Now, item 57 "Deferred Charges". Are there any questions?

By Mr. Macdonnell:

Q. I would like to hear a comment on it.—A. This is simply amortization of the cost of loan flotation as started in 1931. In that year we had a tremendous refinancing operation in connection with the first war maturities, something in the order of \$15 hundred million. That was then regarded as an almost inconceivable sum. We did not know how we were going to deal with it. So this represents an amortization of those operations, and of operations plus loans made since. They make up that item.

The CHAIRMAN: Are there any further questions?

The WITNESS: If you want the details, you will find them on page 54 of the Public Accounts.

The CHAIRMAN: Now, item 58, "Sundry Suspense Accounts".

The WITNESS: That has disappeared, sir.

Mr. MACDONNELL: How?

The WITNESS: By payments to the government of Canada.

The CHAIRMAN: Item 59 "Reserve for Possible Losses on Ultimate Realization of Active Assets".

Mr. MACDONNELL: Might we have a word as to the increase from \$25 million to \$75 million, and just how the basis was arrived at?

The CHAIRMAN: Would you mind repeating your question, please.

Mr. MACDONNELL: Might we have a word as to the basis on which this was arrived at? We have come up from \$25 million to \$75 million. Is it just a good guess, or is it the result of a calculation?

Mr. BRYCE: In order to answer your question, I would have to go into broader questions on this reserve. I shall put it as briefly as I can.

Mr. MACDONNELL: Is there any reason why we should not go into them?

Mr. BRYCE: Not at all, sir.

The CHAIRMAN: I am in the hands of the Committee.

Mr. BRYCE: The increase in the amount set up was made after we had gone extensively into the foreign lending field. It reflects the fact that we have a good many substantial loans to other countries outstanding and it seemed to the department and Minister of Finance that it was appropriate, when that was the case, to make a larger provision than had been made previously.

Mr. MACDONNELL: How is that treated?

Mr. BRYCE: Well, sir, this reserve is merely a device that is used in valuing our assets on the balance sheet. You will recall that we include as active assets, as was indicated to the committee last year, only those which are of a cash or similar nature, on the one hand, or which yield us a return, on the other, or which have yielded us a return.

Those are normally valued at cost until they are written down under some authority to write down the value. In order to be more conservative, however, in the valuation, the Minister of Finance, as noted here by the Auditor General, commencing in 1941, adopted the practice of putting in an amount to reserve, which, in effect, was merely writing down the total value put on all active assets in the balance sheet; it does not represent anything more, in my opinion, than simply reducing the valuation.

Mr. MACDONNELL: But you do really make that actual reduction of the assets in your balance sheet.

Mr. BRYCE: Yes, sir, but it is not marked against any particular items in the balance sheet. Particular items are only dealt with by writing them off against that reserve in the way that Mr. Sellar recounts here in this paragraph. Now, the reserve is established and the amounts are added to it under the general authority, and instructions to the Minister of Finance contained in the Consolidated Revenue and Audit Act in regard to keeping the Public Accounts. We have been advised that it is not necessary to secure any statutory authority for setting up the amounts in this reserve; however, we do not make charges to that reserve without statutory authority. Consequently, the point at which parliament enters into the process, is really twofold: first, in the basic direction to the Minister of Finance to keep the accounts on a basis which gives a proper picture of the government's financial position and, secondly, in authorizing the writeoff of particular items. Now, when one gets into the question of writing off items, claims that the government of Canada has, one gets into a very intricate legal argument that I cannot attempt to expound in detail because it leads into the various prerogatives of His Majesty in regard to foregoing claims and things of that nature, which, I understand, from discussing it with the Department of Justice from time to time is an exceedingly intricate matter. In general, I would say the practice has been that no items are written off to reserves. In other words, we do not translate this general reduction that is made in the value of all our active assets into reductions on individual items, without parliamentary authority to do so. Now, as Mr. Sellar points out, in 1946-47, and in 1947-48, fairly substantial amounts were transferred in effect from this general reserve to be reflected in the lower value of individual items in the balance sheet on the authority of the Surplus Crown Assets Act and the Western Provinces Treasury Bills and the Natural Resources Settlement Act. During the year which the committee is reviewing there was only a small write off of a balance of a loan made to the High Test Lignite Coal Company.

Mr. MACDONNELL: As a result you show practically \$75 million as in addition to this reserve.

Mr. BRYCE: Yes. That particular writeoff was made under the authority of the Department of Justice Act, which authorizes the Minister to make compromises during the course of litigation.

Mr. MAJOR: In other words, you are increasing your reserve just to be in a position to meet your writeoffs, as they would come, if necessary.

Mr. BRYCE: Yes, sir. Now, as to the amount of the reserve, obviously no one can be precise; at least it seems to us in the department that no one can be precise in this day and age, saying how much we can expect to recover on loans made to various countries in various parts of the world.

Mr. MACDONNELL: Will you just make clear what happens, what is the practical effect of making a loan? Where does it appear when we actually make a loan?

Mr. BRYCE: Take, for example, the loan to Rumania, which Mr. Sellar pointed out has been in default for many years. If we wished to write that off entirely, and not put any value on it, as I would picture it we would have to get authority to do that in some legislative form. We would expect to have an item in the estimates authorizing the writeoff, and then we would take this item out and we would reduce the amount of the reserve by an equivalent amount.

Now, there are various reasons that determine when you want to do that. You do not want to do it if there appears to be some chances of obtaining settlement, which would be prejudiced by public action recognizing that it is worthless. Moreover, in cases of this kind there may be diplomatic questions involved; you may not want to do it at a particular time for one reason or another. There are a whole variety of considerations that enter into the question of the writeoff. In general, we endeavour to build the reserve up to the point where we are not really inflating the total of our active assets.

Mr. BROWNE: Is this \$320 million represented by bonds or cash or is it just an entry in the books?

Mr. BRYCE: Not at all, sir. It is just an entry in the books, in the balance sheet. We have shown, as you will note on page 16, the total of active assets as \$5,427,000,000 just below line No. 6. Now, if it is the judgment of the Minister of Finance that that is probably too high—the value is high—he merely makes a deduction from it on the books of this amount.

Mr. BROWNE: It is increased by \$75 million over last year.

Mr. BRYCE: Yes this increase is practically \$75 million over last year. I do not think that the minister or the deputy minister who advises him on this matter, would want to claim that there is omniscience in the Department of Finance which enables it to say that \$75 million is the exactly right figure rather than \$85 million or \$65 million. It is just a question of judgment.

The CHAIRMAN: Shall we pass on to “liabilities”, item 60?. Item 60 is covered in detail by items 61 to 67, which we now pass on to. We will take up each of these items in turn. Item 61, “Floating Debts”.

Mr. FULTON: There is no paragraph for the Province Debt Account?

The CHAIRMAN: That is later on, in item 78.

Mr. FULTON: I beg your pardon.

The CHAIRMAN: Shall we go on with item 61, floating debts? Any questions?

By Mr. Macdonnell:

Q. That item of \$51 million of matured funded debt securities not presented for reduction. Are any of these long outstanding?—A. Some of them are, sir.

Q. It seems to be a large amount.—A. It is a habit of human nature to be slow in turning in their matured bonds and securities.

By Mr. Browne:

Q. Are they liable to have been lost or destroyed?—A. We do not know.

Q. How long do you keep those items going?—A. Always. We have the liability. However, we do not pay interest after maturity.

Mr. FRASER: Somebody might find them in an old mattress or something and turn them in.

The CHAIRMAN: Let us all have a mattress hunt.

The WITNESS: I know of a case where a \$1,000 certificate was framed and hung on the livingroom wall.

The CHAIRMAN: Shall we pass on to item 62?

Mr. FRASER: Common school funds, what is meant by that? There is an account for that amounting to \$2,678,000.

The WITNESS: It is also referred to in item 74. Shall I take the two of them together, Mr. Chairman?

The CHAIRMAN: Yes.

The WITNESS: A little over 100 years ago one million acres in the counties of Huron, Grey, Perth and Bruce were set aside for the support of schools in the province of Canada. A little later it was provided that 25 per cent of the revenue from the sale of that land would be applied to the construction of roads. The land in question was sold on an average at 10 shillings an acre, payable by instalments. At the time of Confederation there was still some of the land to be sold, and a great deal of the money to be collected.

The money that had been received had just been thrown into the ordinary accounts of the government and had disappeared. As a result of Confederation, the provinces of Quebec and Ontario each became entitled to a share of this money. It was a matter of great controversy. Ontario took the view that, as this land was in Ontario, they should not be required to support schools in the province of Quebec.

An arbitration board in the 1870's came to the conclusion that until all of the money was collected and the land sold the distribution of the money could not be made, and it directed the Canadian government to continue to be the custodian and to hold the money. In the 1890's it was decided that the exact sums could be fixed, and it was determined that Ontario was entitled to so much and Quebec to so much.

The dispute then was about the interest rate which the government of Canada should pay. The arbitration board decided that 5 per cent was a fair rate, and ever since that day we have paid 5 per cent of the share of the province of Ontario and 5 per cent of the share of the province of Quebec.

Mr. BROWNE: That is another book item; there is no cash represented there?

The WITNESS: There is an actual cash outlay every year. As a matter of fact, the government of Canada never got this money from the old province of Canada—the old province of Canada had spent it—but the government of Canada assumed the obligation.

By Mr. Fraser:

Q. That interest is paid out of consolidated revenue fund?—A. Every year.

Q. That will be forever, will it?—A. Unless you take some action. The province of Ontario is annually paid \$71,229.86, and the province of Quebec \$62,658.68.

Mr. SINCLAIR: Another handout to Ontario and Quebec.

The WITNESS: At the time of this arbitration back in the 1890's, the parliament of Canada passed an Act to the effect that as the result of this arbitration, the government might pay off the sum to the provinces of Ontario and Quebec. No action was then taken and no action has since been taken. It seems to me a little unrealistic in this day and age when the provinces are spending millions of dollars on education that the government of Canada should be required to be the custodian of \$2,600,000. I think that some time, when there are negotiations proceeding between the provinces, this matter could be settled and the amount taken out of the balance sheet.

Mr. SINCLAIR: We are still paying the 5 per cent?

The WITNESS: Yes, and we also have to handle the school land funds of the prairie provinces. That also is an allied matter, and it amounts to \$33 million, in round figures, and the rate is 4 per cent.

Mr. FRASER: What do we pay on that?

The WITNESS: 4 per cent.

Mr. SINCLAIR: It is the old story, nothing for British Columbia; no percentage.

Mr. BENIDICKSON: Well let us recommend that we do something about the settlement of these accounts.

The CHAIRMAN: Yes, we will take that into consideration for our report.

By Mr. Macdonnell:

Q. What are Indian trust funds?—A. Indian trust funds are derived from more than one source. Indian trust funds arise from the sale of Indian lands. They are also moneys arising out of treaty rights which the Indians have, in some cases from the United States government, and in other cases from the British government.

Q. What is the nature of the trust?—A. It is provided by the Indian Act that these moneys shall be held by the government of Canada, and that the band has control over the funds and may apply the interest on them for the purchase of various things; such as the erection of schools, purchases of farm implements, pure bred stock, and so on, but that requires the consent of the Governor in Council.

Q. That is earmarked for each local band?—A. Each band has its fund.

By Mr. Browne:

Q. Is there any accounting of that here?—A. No.

Q. Where would it show?—A. In Department of Indian Affairs, although I am not sure where it would be. I will find out for you.

By Mr. Fraser:

Q. Out of that money the Indian bands pay their people? They give them allowances out of the fund—so much a month?—A. Yes, that also comes into it.

Q. That comes out of the band funds?—A. Yes.

Mr. CAMPNEY: I notice the item of deposits in post office savings bank—can you tell us what rate of interest is paid on those deposits?

The WITNESS: 2 per cent.

Mr. BROWNE: What interest is paid on the \$20 million for Newfoundland?

The WITNESS: 2 5-8 per cent.

The CHAIRMAN: Shall we go on to item 63, "insurance, pension and guaranty accounts?"

Mr. MACDONNELL: In the second paragraph I see: "Although the unemployment insurance fund totalled \$594,920,000 as of March 31, only \$16,889,000 is reflected in the balance sheet under this heading, as it is an administrative practice to treat uninvested amounts as a liability of the government."

I am just wondering if there is any point of interest that arises out of the second paragraph?

The balance of the \$594,920,000 is invested in our own obligations?

The WITNESS: Yes, sir, and that list is set out on page K-33. It is all in government of Canada and Canadian National Railways Securities.

The CHAIRMAN: Perhaps Mr. Bryce would like to speak on that?

Mr. BRYCE: If you would permit me I would just point out that actually we show on the schedules to our balance sheet the total amount of the unemployment insurance fund, less investments in bonds and accrued interest. Mr. Sellar's records here note the amount, but the schedules do show the total less the investments.

Mr. BROWNE: Where is that?

Mr. BRYCE: On page 32 under schedule O, under Department of Labour, unemployment insurance fund, \$594,920,000 less \$578,000,000 invested in bonds and accrued interest.

Mr. MACDONNELL: Will Mr. Bryce explain to us the exact effect of taking these contributions under the unemployment insurance fund and then lending them to the Dominion of Canada, instead of making an independent investment of them?

Mr. BRYCE: Are you speaking, sir, of the financial effect or the economic effect?

Mr. MACDONNELL: Both.

Mr. BRYCE: Economically, it is just a form of savings done through contributions to the fund by employers and employees, and by the government through its contribution. I would say, economically, it is on much the same footing as savings carried on through many other institutional channels. Financially, it is just a means of recording future obligations under the Unemployment Insurance Act, which are contingent of course upon the degree of employment.

Mr. MACDONNELL: To what is there really a concealed liability of our own? When we come to pay that out we have not got any outside assets ourselves? We have to find the money somewhere else?

Mr. BRYCE: It would have to be found from the fund—selling Dominion Government securities.

Mr. MACDONNELL: Which we pay?

The WITNESS: They purchased those securities on the market.

Mr. MACDONNELL: Yes, I realize that, but when they have realized the money—

The WITNESS: They sell them back to the market.

Mr. BRYCE: They would sell them back again on the market. There is a question of the effect of putting them on the security market.

Mr. BROWNE: Everything is all right unless we strike a bust, or depression period.

The CHAIRMAN: Shall we go on to item 64, "deferred credit."

Mr. MACDONNELL: What is the expectation of being able to work this out with the Netherlands?

The WITNESS: It is all arranged. In my own opinion there was a little slowness in the beginning in working out the accounting application; it should not have been necessary to put it in, but everything is in order.

The CHAIRMAN: Item 65, "sundry suspense accounts."

Mr. MACDONNELL: There is nothing in that.

The CHAIRMAN: Item 66, "reserve for conditional benefits under Veterans' Land Act 1942."

By Mr. Fraser:

Q. Now what is meant by this?—A. If a veteran carries out his contract under the Veterans' Land Act, at the end of ten years he becomes entitled to a credit of 23·3 per cent of his loan. Ten years has not yet elapsed, and therefore the government is accumulating these credits for loans in good order on which men will qualify.

Q. They pay so much into the fund each year?—A. Yes, sir.

Q. So at the end of the ten year period— —A. You have not got a sudden load on your expenditures.

Mr. WRIGHT: What becomes of the account where a settler has settled it in full?

The WITNESS: You will have to ask the Veterans' Land Act people. I think I know the answer, but I am not sure.

Mr. FRASER: They are not entitled to the land until the ten years are up?

The WITNESS: No, not the credit.

Mr. FRASER: Not even if they pay it in full.

Mr. WRIGHT: Is this amount credited to this account when the veteran completes his contract, as far as payments are concerned, or is it left there until the end?

The WITNESS: My opinion is that he is protected, but I am not sure of the Act.

The CHAIRMAN: Item 67, "funded debt."

By Mr. Browne:

Q. I would like to ask Mr. Sellar a question here. Why does he represent the Newfoundland debt in dollars when it is a sterling debt?—A. By the law governing the preparation of the accounts of Canada we are required to set them up in dollars.

Q. I understand that the British Government required that to be paid in Canadian dollars?—A. No, payment is in accordance with the terms of the issue.

The CHAIRMAN: Well, gentlemen, we shall now adjourn until Tuesday morning.

Mr. FRASER: What item have we finished?

The CHAIRMAN: We have finished item 67, and the next item will be 68.

The committee adjourned to meet again Tuesday, March 20, 1951 at 11.00 a.m.

Government
Publications

ON

CHAIRMAN — MR. L. PHILIPPE PICARD

No. 4

Tuesday, March 20, 1951

WITNESSES

Mr. Watson Sellar, C.M.G., Auditor General;

Mr. R. B. Bryce, Assistant Deputy Minister of Finance.

OTTAWA
EDMOND CLOUTIER, C.M.G., O.A., D.S.P.
PRINTER TO THE KING'S MOST EXCELLENT MAJESTY
CONTROLLER OF STATIONERY
1951

MINUTES OF PROCEEDINGS

HOUSE OF COMMONS, Room 430,

TUESDAY, March 20, 1951.

The Standing Committee on Public Accounts met at 11:00 o'clock a.m. The Chairman, Mr. L. Philippe Picard, presided.

Members present: Messrs. Anderson, Blue, Boisvert, Boivin, Brisson, Browne (*St. John's West*), Cauchon, Cavers, Cloutier, Croll, Cruickshank, Fleming, Fraser, Gauthier (*Portneuf*), Helme, Kirk (*Digby-Yarmouth*), Larson, Macdonnell (*Greenwood*), Major, Nowlan, Picard, Riley, Robinson, Sinclair.

In attendance: Mr. Watson Sellar, C.M.G., Auditor General; Mr. R. B. Bryce, Assistant Deputy Minister of Finance.

The Chairman paid a tribute to the memory of the late Mr. Karl Homuth who was a member of the Committee at the time of his sudden death. He informed the Committee that on behalf of himself and the members of the Committee he would convey an expression of sympathy to the family of the deceased member.

The Committee resumed article by article consideration of the Auditor General's Report for the fiscal year ending March 31st, 1950.

Mr. Watson Sellar was again questioned on the various articles of his Report, under study, and Mr. R. B. Bryce was asked to answer certain specific questions arising out of the Auditor General's examination.

At 12:45 o'clock p.m., the Committee adjourned to meet again at the call of the Chair.

ANTOINE CHASSÉ,
Clerk of the Committee.

MINUTES OF EVIDENCE

HOUSE OF COMMONS,

MARCH 20, 1951.

The Standing Committee on Public Accounts met this day at 11.00 a.m. The Chairman, Mr. L. Philippe Picard, presided.

The CHAIRMAN: Gentlemen, I feel I should not open this meeting without a word to express my feelings, and, I am sure, the feelings of all the members of this committee, on the demise of one of our members, Mr. Karl Homuth. With your permission, I intend to convey our condolence to Mr. Homuth's family. Mr. Homuth had been a very active and energetic member of the House and of its committees up to the time he became ill a year or so ago. I sat with him on the War Expenditures committee and on one of the sub-committees, and I appreciated the work he did there and his fair approach to questions brought before the committees. I think it is proper that we should convey our sympathy to his family.

Before we carry on with the next item of business, "Foreign Exchange Control Board advances," I think Mr. Sellar has an answer to one or two questions asked the other day by Mr. Fraser.

Mr. Watson Sellar, Auditor General, called:

Mr. R. B. Bryce, Assistant Deputy Minister of Finance, in attendance.

The WITNESS: Mr. Chairman, Mr. Fraser asked me two questions. On the first day he asked: What were the surrendered profit of the Foreign Exchange Control Board for the year 1949? The figure is \$8,438,000. That is for the calendar year 1949.

The other question was asked at the last meeting when Mr. Fraser enquired as to what was the amount of the allowance for rental in connection with the returning officer in Peterborough West who occupied a government office. The memorandum I received from my officer who examines these accounts reads: There has been no payment for rent of space during the general election to Mr. H. A. McClellan, returning officer, Peterborough West.

The CHAIRMAN: We have reached item 68: "Foreign Exchange Control Board advances."

By Mr. Fleming:

Q. I would like to ask one question about the first answer. The figure Mr. Sellar gives us was a figure of profit?—A. The surrendered profit. There is also the profit by appreciation of securities arising out of sale of securities.

Q. Could Mr. Sellar give us the figure on profit?—A. Surrendered profit?

Q. Yes.—A. This was at the year end what they surrendered and turned back to the government.

Q. Is it the practice of the board each year to surrender all profit, to turn it back to the government?—A. Yes, at the end of each year. They are required by law.

Q. So they start each new year with an absolutely clean slate?—A. Yes, sir, they are required by law.

Mr. FRASER: That profit goes into the consolidated revenue fund?

The WITNESS: The general consolidated revenue fund of Canada.

By Mr. Macdonnell:

Q. Since you have had that brought up to date, there has been no shift in the Canadian dollar since? And, were these, as a matter of interest, ever brought up to date?—A. The profit for the year 1950 was \$7,400,000—I am using round figures.

By Mr. Fleming:

Q. You are distinguishing profit from revaluation? When they revalue there would be a surrenderable surplus remaining? The information given was that this revaluation made no difference in the surrenderable profit, that the surrenderable profit is the profit they make on the actual sales?—A. Yes, sir, that is what was realized.

Q. Could Mr. Sellar tell us anything about the effect of the revaluation surplus or loss in connection with the last revaluation of the dollar?—A. I would be going from memory, sir; and I would hesitate to state the figures, although I examined that financial statement about 10 days ago and it will be submitted to the House of Commons very shortly. I haven't the figures clearly in my head.

Mr. FRASER: With regard to the last sentence of that item, could Mr. Sellar actually state what happened to that \$46,000,000 of the remainder? It is not reflected in the balance sheet of Canada here.

The WITNESS: That remains with the Foreign Exchange Control Board until the money is realized. It will be then, at the end of the next year, paid over to the government of Canada.

By Mr. Fleming:

Q. I wonder if Mr. Sellar could tell us in what form the Foreign Exchange Control Board is now holding its reserves? Have you the proportions in United States dollars and gold?—A. They are permitted to make investments in short term securities and some of them will be in dollars, and some in U.S. treasury securities—short term, of course—and so on, and they will have some gold.

Q. Do you know the proportion of gold as compared with United States dollars?—A. The amount of gold has always been relatively low in relation to what we need because gold does not produce income and costs money to keep.

Q. What has been the trend of the holdings as to the gold on one hand and United States dollars on the other?—A. When they use the term "United States dollars" you include U.S. securities?

Q. Quite so.—A. They have always been much larger. I would say the ratio might be ten to one.

Q. Has there been any change in the trend in that respect?—A. There has been no change in practice, as far as I can observe.

Q. May I take it in so far as the holdings of the board are concerned as between gold and United States exchange whether dollars or short term securities, that it would be about one dollar of gold to ten dollars of securities?—A. I may be accurate there, I may not be but I am emphasizing that the vast majority of the securities in the portfolio of the Foreign Exchange Control Board are U.S. securities that are producing some income.

Q. There has been no trend toward an increase in the proportion of gold in the light of the inflation in the United States and the loss of confidence in the United States dollar?—A. I have no information as to that, sir; because I audit the accounts, I do not watch foreign exchange policy.

Some Hon. MEMBERS: Hear, hear.

By Mr. Macdonnell:

Q. Was the ordinary investment policy followed—I mean, just as in any other portfolio—has there been an endeavour to build up that portfolio; or, would you know that?—A. I would not know that. You would have to have one of the officers of the Foreign Exchange Control Board here, or someone from the Department of Finance.

The CHAIRMAN: Perhaps Mr. Bryce would care to say something on that.

Mr. BRYCE: As I understand it, the report of the Foreign Exchange Control Board was not available when the legislation was brought down in the House the other day, but it was indicated then that it would be brought down to the House very shortly. I expect as usual it will deal with that question of the details comprising the holdings of the board at the end of December. I am sorry that I do not know the details myself at this stage.

Mr. MACDONNELL: Is there any reason you can think of why that would not be dealt with like any other investment—keeping a constant eye on valuation?

Mr. BRYCE: No, sir.

The CHAIRMAN: Are you satisfied that we have finished with item 68? Shall we go on to item 69, “securities investment account”?

Mr. MACDONNELL: Would Mr. Bryce give us some details of that security investment account? I know in general it has to do with supporting the market. That was stated in the memorandum used by the minister in the House yesterday, and you will recall that he stated that that account was made up of several accounts, several investment sources.

Mr. BRYCE: In answer to that, sir, I may say that I believe there are several sub-accounts within this. There is one known as the “X” account, dealings in marketable Canadian securities; then there is another kind known as the “Y” account, dealings in securities of the Canadian government; and a third, I believe, an account in which securities were held that were being purchased by the government for its employees under the employees purchase plan. I am not certain—I do not believe that I have here the details as to these three separate accounts and how they relate; but the total balance in that account at the end of the year is, of course, shown on our balance sheet, page 16, under assets, under cash and other current assets, in the security investment account—\$18,690,000 odd.

Mr. MACDONNELL: Was that account closed out?

Mr. BRYCE: The account as a whole was still open at that time, but I am not sure of the details; I think the “X” account operation, the operation for dealing in Canadian marketable securities, had been closed out by that time.

Mr. MACDONNELL: Why?

Mr. BRYCE: Because the securities in it had been sold; as part of the market operations being carried on through that account.

Mr. MACDONNELL: If it had been operated in the way you stated would it not naturally have been a continuing account?

Mr. BRYCE: This account, of course, does not include actual cash balances which are used for the purchase of our securities. It was an account which was automatically created by the purchase of securities and other holdings for this purpose and when the securities are sold that have been purchased and put into that account, then the account itself diminishes or disappears.

Mr. MACDONNELL: What is the employees purchase account?

Mr. BRYCE: The employees purchase account, sir, is in Canadian savings bonds. The government just like any other employer makes payroll deductions on behalf of its employees; and when the payroll deductions have been completed the bonds are turned over to the employee.

Mr. CROLL: Would Mr. Bryce tell us whether these check offs are voluntary or revocable, or both?

Mr. FLEMING: Well, they are not statutory anyway.

Mr. BRYCE: They are certainly voluntary. Whether they are revocable without loss, I am not certain.

Mr. MACDONNELL: Just one question there. Mr. Chairman, there has been a loss there of \$8,000,000. Am I right in assuming that none of that loss has been applied to the employee purchase scheme, but they did have a very considerable loss.

Mr. BRYCE: No. The arrangement for that was not such as to involve any loss; except an occasional loss where a bond has not been delivered, and those are covered by a specific appropriation under the Department of Finance in the estimates. I can look that up for the year the committee is reviewing. If you look under the demobilization and reconversion votes in Finance, for 1949-50, you will see a heading Employees Plan—and two votes, vote 95 for purchase of Canada Savings Bonds, administration, \$89,710; and vote 96, “to provide, subject to the approval of Treasury Board, for replacement of bonds lost in mails and for reimbursement of accounts incorrectly charged with repayments, \$2,500.”

The CHAIRMAN: I think the Auditor General might want to comment on this item of securities investment account.

The WITNESS: There is very little I can add to what Mr. Bryce has said. I can give you the figures of Canada Savings Bonds, they amounted to \$9,066,000 that year. The other two big items were United Kingdom Treasury bills representing 2,225,000 pounds, and the Newfoundland 3 per cent guaranteed stock, representing £761,000. Both of those arise out of the sale of codfish by the Newfoundland Association of Fish Exporters Limited. They were sales of codfish in sterling areas under an agreement with the United Kingdom whereby the money would be held in the Bank of England. By the terms of union, and the supplementary replies to questions tabled by Mr. St. Laurent, the government of Canada undertook to take over those sterling balances. They were in that account at the end of the year. It was an unusual place to put them, and I think they have been transferred to a more appropriate account.

Mr. FLEMING: Before we go any further, I have one more question I would like to ask Mr. Bryce about that “X” account. What relationship has the use of that “X” account to attempts made through other government channels, which I understand to be principally the Bank of Canada, to support the price of Dominion of Canada Bonds on the market?

Mr. BRYCE: Well, this is one of the accounts at the disposal of the government and its fiscal agents, the Bank of Canada, for operating in the securities market. Just how they use it in relation to the funds of the Bank of Canada would be something that would be better learned from someone who is more versed in the actual operations. It is used that way, as has been indicated, but to what degree and in what manner I cannot say from personal knowledge.

Mr. FLEMING: You are not in a position to comment on the way the government and the Bank of Canada operate together in using such a fund as this?

Mr. BRYCE: No, but I know that it is used in that way from time to time. Just in what manner I cannot say, because I am not sufficient of a marketing technician to explain it.

The CHAIRMAN: Are there any further questions?

By Mr. Browne:

Q. Yes, I was going to ask Mr. Sellar how that sterling arrangement is being carried on now? The fish is sold to Europe and paid for in sterling. How is the conversion into dollars made?—A. When you use the word “now” I am not able

to answer. The original agreement was between the Newfoundland government and the Newfoundland Association of Fish Exporters Limited. My understanding is that the Newfoundland government and this corporation had an agreement whereby the Newfoundland government placed Newfoundland currency at the disposal of the corporation in exchange for those sterling securities. The Newfoundland government accumulated those securities as a form of reserve for retirement of its debt, and that was how, at the time, the government of Canada agreed to assume those sterling balances. You would have to ask the Department of Finance what the situation is today. I will know it in three weeks but at the moment I do not.

Q. Is it related to the Foreign Exchange Control Board, and does Mr. Bryce know about it?—A. No, it has no relation to the Foreign Exchange Control Board but it is blocked currency.

Mr. BRYCE: It relates more to the United Kingdom Foreign Exchange Control. The government, through this arrangement for the disposal of fish, acquires certain sterling that cannot be used except for limited purposes, and, by arrangements with the United Kingdom, we are able to invest some of it in these securities. Those investments being temporary and made with idle funds, technically should go in this security investment account, although this is not the sort of investment that is normal. My explanation of the categories covered in this account was deficient, and, frankly, I did not mention it, because I did not realize that was where we put these securities, although I see them there now in the Public Accounts.

Mr. BROWNE: What securities do you buy?

Mr. BRYCE: That is noted on page 36, in paragraph F, treasury bills of the United Kingdom and 3 per cent Newfoundland guaranteed stock.

Mr. BROWNE: You buy up stock over there?

Mr. BRYCE: Yes, some of it.

Mr. MACDONNELL: Referring to Mr. Fleming's question about the effect of these funds on the support of Canadian securities, in the statement filed by the minister yesterday, I think the total figure of the operation was given at \$2,715 million, if my memory serves me correctly. Could Mr. Bryce give us, by deducting that from other funds, the magnitude of the operation. It may be that there was active buying and selling and that it does not amount to as much as it sounds. What is the significance of that \$2,715 million in terms of support?

The CHAIRMAN: That is a question which is not relevant to what we are doing now. It is most interesting after last night's statement, but we would be embarking on this year's accounts when dealing with the statement made last night.

Mr. MACDONNELL: I think the statement made was with reference to the writing off of \$8,300,000.

The CHAIRMAN: Yes.

Mr. BRYCE: I believe that Mr. Macdonnell's figures are approximately correct. I am speaking from memory, but that \$2,700 million in purchases or in sales (the two would not differ very much from the total purchases and total sales) extended over a period of ten years, or nine years. It would work out something on the order of \$300 million to be purchased per year—perhaps \$350 million.

Mr. MACDONNELL: Of course it would only be done in times of need and we are not getting the real picture if we average it over ten years?

Mr. BRYCE: Quite right, and in some years, purchases would be very much more than sales, and in other years it would be the other way around. It is really part of the whole process of monetary management. This element is an additional instrument of the monetary management—in addition to the operation of the central bank.

Mr. MACDONNELL: I don't know whether the chairman will allow this, but I am wondering if we can take it that these operations will not occur in the future?

The CHAIRMAN: That will be a matter of government policy and not one on which either the witness or the chairman can answer.

Mr. MACDONNELL: I have just one other question. Why were the earnings taken in full, and no provision made for this loss until it was all over? Or is that a correct statement?

Mr. BRYCE: It was very difficult to say in advance whether there would be a loss. As you will note a loss of \$8 million, on purchases and sales of \$2,700,000 is a pretty small proportion. It is difficult in advance to know whether or not in fact there is going to be a loss. It was felt by the minister and the deputy minister that this was the more appropriate way to record the situation—coming to parliament if there was any loss, and requesting authority to write it off the books.

The CHAIRMAN: Can we pass on to item 70, "Newfoundland loan sinking fund".

Do you wish to ask any questions here, Mr. Browne?

Mr. BROWNE: No.

The CHAIRMAN: Item 71, "working capital advances".

By Mr. Fleming:

Q. Mr. Chairman, we have reference here to a revolving account. That is to some of us a rather ominous expression. The item says: "Inventories of stores are not included in the balance sheet, with the exception of those of the Department of Public Printing and Stationery, the Mint, and the Department of Transport, each of which enjoys statutory power to purchase stores by use of a revolving fund account."

We had a warning that there is going to be a similar revolving fund, I think of \$100 million, in the new Department of Defence purchases. I would like to ask Mr. Sellar how many departments enjoy the privilege of operating a revolving fund account or accounts, and what is the scale of their operations in such funds?—A. Revolving fund accounts, sir, are regulated by statute. In the case of the King's Printer, parliament has authorized up to \$2 million. That is used by the King's Printer to buy his supplies, and pay his staff, before the departments reimburse him for their printing. In his case it is \$2 million.

In the case of the Department of Transport Stores Act, that is their legislation, parliament last year increased the amount to \$4 million.

The National Film Board, by its legislation, last year had \$750,000 provided as a revolving fund.

The Mint is indefinite. Its legislation is in more general language because it is founded on the purchase of gold and the procurement of silver and bronze for the making of coins. Therefore, the size of that account is regulated by the volume of its business. It is assumed its purchases are the equivalent of money.

Q. May we take it then there are only these four agencies, at the present time, apart from the new department, that have the privilege of operating a revolving fund account?—A. Pardon me, it is tricky thing to depend on memory, but I think there is either \$75,000 or \$100,000 in the Indian Act to finance muskrat hunting, and so on, by the Indians.

Q. I guess we will not worry too much about muskrats.

The CHAIRMAN: You are not interested in muskrats?

By Mr. Fleming:

Q. Not at the moment, but looking at these other four revolving funds you refer to, Mr. Sellar, what in general is the set-up? Does it mean that not more

than the amount authorized, we will say in the case of the King's Printer \$2 million, or the Department of Transport \$4 million, can actually be laid out at any one time or expended in advance of purchases of stores?—A. In the case of the Department of Transport the \$4 million is absolute. In the case of the King's Printer the Act provides that in addition to the \$2 million, he can take into account the amount payable by departments. All departments are required to pay monthly and, therefore, you have the equivalent of one month's advance to a department on top of that \$2 million. That is the maximum that he can have.

Q. At any one time?—A. At any one time.

Q. But in that limit existing from time to time the transactions could be very much larger than that?—A. Naturally.

Q. Could you give us some idea how much these transactions have run in the fiscal year, in connection with the amounts authorized for the revolving fund account in each case?—A. Last year I think the sales of the King's Printer were in the neighbourhood of \$12 million.

Q. Did he finance \$12 million of operations on this revolving fund of \$2 million?—A. Yes.

By Mr. Macdonnell:

Q. One thing surprises me. I understand the revolving fund is for use in connection with supplies, but you said the King's Printer also pays his own staff? Is that not an unusual provision? When was that arrangement introduced?—A. It has always been in the Act.

Q. Why?—A. It was set up as an industrial establishment and provides that the King's Printer should pay his employees comparable wages to those paid in the trade in Montreal and Toronto.

Q. Are the employees of the King's Printer all civil servants?—A. No, sir, not in the true sense of the word. They are actually; but, literally, for a long time they had no superannuation protection. They have now.

Q. That is what I wanted to know. Do they come in under civil service superannuation or do they come under a plan of their own?—A. Under the ordinary civil service superannuation; not all of them, though, not the temporaries.

Q. From the point of view of superannuation, are they treated just as if they were civil servants?—A. Those who are under the Act get the same treatment as any other person under the Act.

By Mr. Fleming:

Q. Coming back to the Department of Transport: To what extent are the financial operations of the Department of Transport financed with that \$4 million revolving fund?—A. I have no figures with me but I could try to get them for you. They are spread over all their votes.

The CHAIRMAN: Perhaps Mr. Bryce could enlighten us on that.

Mr. BRYCE: I am sorry, sir, I was only just pointing out to the chairman that this point which the Auditor General has raised here in Item 71 (b) at the bottom, is covered by an item in the further supplementary estimates tabled in the House yesterday to provide for the reimbursement of the Department of Transport stores account of the value of stores destroyed or damaged beyond repair in 1950 to the value of \$31,764.

By Mr. Fleming:

Q. I am rather interested in the ramifications of these various departments through their revolving accounts, and I would like to get some conception of the

extent of the turnover that is carried on year by year with these revolving fund accounts. For instance in the case of the King's Printer the \$2 million revolving fund account has financed operations extending to \$12 million, and I wonder if we could have similar information in connection with the other revolving funds that Mr. Sellar has referred to.—A. I speak with some reserve on this. You will see on page Z-67 that the department had debit charges of \$8,332,437 that year. I assume that is the volume of transactions carried through that account last year.

Q. Where would we normally go for information on the results of these various accounts?—A. Ordinarily, to the department concerned or to the Comptroller of the Treasury, in other words, the Minister of Finance.

Q. What have you to say in general about the propriety of using the method of revolving fund accounts in relation to strict parliamentary control over expenditures?

Mr. CROLL: Is it right to enter into this now? Does it not go beyond the scope of our work?

The CHAIRMAN: That is a very important question, but I think the member who stated he was not so much interested in muskrats might be trying to see if there is a possibility of a skunk getting in somewhere. That is why the question is put. Really, it is beyond the scope of our work at the moment because it asks for an expression of opinion on questions of policy, but I let it pass because we have been somewhat lenient as to these borderline questions lately.

Mr. CROLL: It seems to me he could ask this question quite properly: Has there been any abuse of these funds?—but as to the propriety of using this method, that is not a question for Mr. Sellar, it is a question for parliament.

The CHAIRMAN: Yes; of course the witness may be asked questions as to what has happened in the past, but I think we should also accept the present question.

Mr. FLEMING: We have not only received but have welcomed from Mr. Sellar in the past, and particularly on several conspicuous occasions last year, comments from him about methods by which strict parliamentary control over expenditures might be maintained. Now, here is an item in his report in which reference is made to the revolving funds—apparently there are four or five of them—and I think it is a natural and eminently fair question to ask Mr. Sellar how this business of revolving funds ties in with the principle of strict parliamentary control in these operations. His opinion on various subjects was in the past welcomed by us and I do not know why we should hesitate about it now. Here is the man who is expected by parliament to be the principal champion of the rule of strict parliamentary control over public expenditures.

The CHAIRMAN: That is the spirit in which I accepted the question, not as an opening of a discussion as to what may be the policy in the future.

Mr. SINCLAIR: Any comment that Mr. Sellar would have on that would surely be in his report because his report draws to our attention items on which there is lack of parliamentary control. For every payment made by the King's Printer there is an estimate made and it appears in the estimates of parliament. It is only when a payment is made which has never been approved that Mr. Sellar calls our attention to it here.

Mr. MACDONNELL: Is that a correct statement? He is given working capital to carry on business, but we do not get the details of all his operations in the public accounts.

Mr. CROLL: But Mr. Sellar does. Has that method been abused?—that would be a proper question.

Mr. MACDONNELL: Last year we asked Mr. Sellar's frank opinions and welcomed them. Why cannot we have them this year?

Mr. CROLL: You must not persist in your mistakes.

Mr. SINCLAIR: It would not be proper if the King's Printer made expenditures out of the revolving fund unless there was an appropriation in the department concerned.

Mr. FLEMING: We do not in this committee, surely, confine ourselves just to what Mr. Sellar says in his report here. Those observations of his are necessarily pithy and we use them as the basis of questions to elicit relevant information.

The CHAIRMAN: That is what we did last year, and for doing that extensively, and, I think, with a good result, I suffered attacks in the House from certain quarters to the effect that I had sidetracked the committee into things other than the proper study of the public accounts. This year I am going to be guided by the wish of the committee which is that we should at this point examine the Auditor General on the text of his report and not go into any study that might lengthen the procedures beyond five meetings. I will allow the question though, because it has a bearing on the point we are studying now and I think it is interesting. However, I think I am stretching the point and I think that Mr. Croll and Mr. Sinclair are right in reminding us that we had agreed to limit ourselves solely to the questions on the report itself and now we are going to go into a question of policy, as to which are the best methods; but I think the question should stand anyhow. Will you explain, Mr. Sellar?

The WITNESS: Well, sir, the easiest case to give you as a concrete application is the Department of Transport stores account, which is \$4 million. Now, why does that \$4 million exist? The reason is that the Department of Transport has canals and a large number of services all over this country which are closed in the winter and in the Spring of the year have to be put into operating condition. The experience was that they could not accumulate the necessary materials and supplies before the opening of the season because their votes were either exhausted or they were financing on interim supply. For that reason the government of the day, in 1937, decided that there should be a revolving stores account of, I think, it was \$2 million but it has since been increased to \$4 million. Now, every purchase that the department makes against that account ultimately has to be charged against an appropriation, therefore, it cannot make any purchase through the stores account without meeting the test of being a proper charge to an appropriation. The benefit of the stores account is that you avoid a degree of duplicating of estimates, that is why that revolving fund is. In the case of the National Film Board, the board may be making a film for, let us say, the Department of Labour. If the film board had to provide for the cost of that in its votes and the Department of Labour had to provide for the cost of the finished article in its vote, you would have the cost of that film appearing twice. You would be asked to vote for that film twice. Through use of the revolving fund the effect is one of eliminating duplication of estimates.

The CHAIRMAN: It does not mean that parliamentary control is diminished in the end?

The WITNESS: In my opinion, no.

By Mr. Browne:

Q. How is the fund replenished?—A. It is replenished by charges to the appropriation, as they take the supplies.

Q. Yes, but they spend the money and take in the supplies. How is the money replenished?—A. The money in the first instance is paid out of this revolving fund which is supplied by the Minister of Finance. When an issue

is made, let us say, to marine agencies, of \$100,000 worth of supplies, that marine agency vote is charged \$100,000, and that is re-credited to the revolving fund so that your \$4 million is working back and then at the year end they must clear the \$4 million.

By Mr. Fleming:

Q. Can those departments which are given revolving funds by statute draw on the Consolidated Revenue Fund, say, earlier in the fiscal year, in accordance with their requirements, we will say, before the appropriation is voted?—A. They are drawing on it constantly for their operations all the time.

Q. Then, at the end of each fiscal year, is there a strict accounting of the revolving fund as applied to the appropriation authorized by parliament?—

A. Very strict, sir; we make a special audit or that account.

Q. In every case?—A. In every case.

Mr. MACDONNELL: My recollection is, when they got the increased amount on the revolving fund in transport, it was pointed out there had been an overrun of something like \$70,000 the year before and it was to prevent that happening that there was a suggestion that the working capital should be increased.

The WITNESS: The trouble was that the cost of material and expansion of activities in the department made it necessary to have this increased amount of money.

Mr. ROBINSON: Would it be desirable to have such a fund available for the Department of Public Works?

The WITNESS: In my opinion, yes, sir, but that is just my opinion.

Mr. FLEMING: Has Mr. Croll any objections to that?

Mr. CROLL: He is sitting too close to me here. I tried to kick him but I did not succeed.

Mr. ROBINSON: Let me ask one more question. In your opinion, would such a fund eliminate a good many revotes that we presently have in public works?

The WITNESS: I doubt it because revotes are for works.

By Mr. Browne:

Q. I would like to ask about this account on page Z-67. Would Mr. Sellar explain to the meeting the open account on page Z-67, stores account—Transport? It shows a debit balance of nearly \$3 million dollars.—A. The Treasury at the year end sets up in the public accounts a record of all the accounts which are not strictly appropriation accounts and that is the summary of the transactions with respect to the stores account. You will find that in other departments.

Q. I see. This debit balance of \$3 million approximately would be the charges to it? That has nothing to do with the revolving fund?—A. No, sir.

The CHAIRMAN: Shall the item carry?

Carried.

Now, we will go on to Item 72 and Item 73, "advances not listed as assets."

By Mr. Macdonnell:

Q. I would like to know something about Item 73. What is the reason for the apparent inconsistency there?—A. In 1920, Sir Henry Drayton was Minister of Finance, and in his budget speech that year, he advised the House that he was changing the form or treatment of assets in the public accounts of Canada, that only those assets that were interest-producing would be treated as active assets, and that plan was followed. At that time the only two harbour commissions—all were then all independent bodies—paying interest, were the ports of Montreal and Vancouver. Those two were set up as assets, the others

were not. Over the years, since the national harbours board has taken over, various other ports have paid interest: Three Rivers, Saint John, and Halifax. I do not think it is a good test, I think it is out of date now. These should be taken together.

Q. What test would you suggest?—A. I feel that in the revision of the Consolidated Revenue and Audit Act there should be a definition as to what is to be treated as an asset and what is to be treated as a liability in the public accounts of Canada.

Q. Can you suggest any reason for the present difference of treatment in these two accounts?—A. I have taken it up with the Department of Finance and I have never been convinced by their reply.

The CHAIRMAN: Maybe we should ask Mr. Bryce if he has any comments to make.

Mr. BRYCE: The explanation that the Department of Finance makes is a very simple one, Mr. Chairman. It is that these are the two ports that we believe can be expected normally to yield sufficient profit to pay interest on the loans made for their equipment and property.

Mr. MACDONNELL: Is there any loan made to Toronto?

Mr. BRYCE: Toronto is not operated by the National Harbours Board. We regard these two ports as being in a different category because of the profitable character of their operations. That is all there is to it. And we have felt that to include the loan to the Harbours Board for other ports would not be as conservative in valuing our assets. We felt that to exclude the loans for the ports of Montreal and Vancouver would mean that we would be leaving out of our active assets loans made for the creation of facilities which, in fact, do return a revenue to the government.

I can well understand Mr. Sellar's concern that once the ports have been brought together under it, the National Harbours Board ought to be considered as a whole. That would be the contrary logic. But the Department of Finance has really continued to look through the National Harbours Board to the various ports which it was administering to see whether or not the operations of the particular ports were profitable. That is the simple basis on which we make the distinction.

Mr. CROLL: What do you think of his presentation, Mr. Sellar?

The WITNESS: I do not agree with it, sir.

Mr. CROLL: And can you tell us why.

The WITNESS: My view is this: let us consider the port of Three Rivers which is a self-supporting port, which has paid interest regularly, and which has ended the year with a surplus. I submit that we have an asset there that is worth while putting into the balance sheet.

But in the case of Halifax and Saint John it is true that they are not able to pay all of the two and three quarter per cent interest but one of them was able to pay \$100,000 that year, while the other was able to pay \$200,000. Therefore, I submit they have got some value, and that there is something behind it all. Here again it is none of my business, but I think our National Harbours should be recast; I think that their financial structure should be recast, because I think that the National Harbours can never repay the total amount of \$180 million of debentures. I feel that we should make an engineering valuation of those assets to a fixed and reasonable amount, bearing in mind that they are national ports in the economy of Canada.

Mr. MACDONNELL: Are there any sinking funds?

The WITNESS: Yes, the National Harbours Board established certain sums each year for replacement and it has accumulated \$28 million, which is invested in securities of Canada.

Mr. CROLL: In the light of Mr. Sellar's statement, Mr. Bryce, Three Rivers is in the same category as Vancouver and Montreal. What have you to say to that?

Mr. BRYCE: I would have to look further into the facts. We have never felt the same assurance in regard to the profitability of Three Rivers as we have in regard to the profitability of Montreal and Vancouver. But as to what facts there are to back that up, I do not know. I do not have them at my finger tips.

Mr. CROLL: Carried!

Mr. BRYCE: And I think that the whole question is somewhat similar, perhaps, the larger question that Mr. Sellar raises to the question considered by the Transport Royal Commission in regard to recapitalization of the Canadian National, that is, how should you treat a debt which has accumulated over a period of years?

By Mr. Fleming:

Q. You show an amount which we are talking about here. But when you speak of having an engineering survey of the value of the assets, might I ask if there is any such figure now in existence?—A. The National Harbours Board over the years has been trying to establish the real value of the assets which are in its possession, because it has assets which are not reflected in its indebtedness certificates to the government. During the war we made very substantial improvements to the ports of Halifax and Saint John. Those improvements were paid for out of war appropriations. But subsequently the administration of those assets was turned over to the National Harbours Board.

Q. But not the assets themselves?—A. Yes, the assets themselves. The title of all such assets remains in the name of the crown.

Q. It was just the administration of them that was turned over?—A. Yes.

Q. So these improvements that you speak of do not appear in the assets of the National Harbours Board?—A. Yes; the National Harbours Board regard themselves as a trustee in that regard for the government.

Mr. FRASER: The improvements in most cases were made in order to give facilities to the navy, were they not?

The WITNESS: To improve the harbour facilities generally.

Mr. FRASER: But for the navy mostly?

Mr. FLEMING: What amount are we talking about, Mr. Chairman?

The WITNESS: I have no figure.

Mr. MAJOR: Do you believe in the principle of partial writing-off of the assets when they become too high?

The WITNESS: My thought is that assets should be as realistically valued as possible and that we should not inflate or unduly depress them. We know that they cannot be sold, but we do want to have something in which you can have confidence.

The CHAIRMAN: The next item is 74, "common school fund," I think it was dealt with when we passed over item 62. So I think we are now on item 75, "civil service superannuation account."

Mr. BROWNE: Did we not vote \$75 million for that yesterday?

The CHAIRMAN: Are there any questions?

By Mr. Browne:

Q. Was that done as a result of any representations made by you?—A. No!

Q. Was it on your recommendation that we voted that \$75 million yesterday?

The CHAIRMAN: I think that is beyond the point of this item that we are dealing with now.

Mr. BROWNE: I did not think there was any secret about it.

The CHAIRMAN: There is no secret but we are working as a committee dealing with public accounts, and I do not think this is a proper question to ask the witness.

By Mr. Fleming:

Q. My attention was drawn to the last sentence in item 75. Might I ask: what is the significance of drawing attention to the fact that it is not established on any actuarial or sound basis?—A. The superannuation account you have before you is regarded in two ways. First, it is a provision to provide for civil servants upon their retirement, and when they die, for their widows. And for that purpose the civil servants contribute various amounts. For example, I contribute five per cent, because I was in the civil service before 1939. Those who came in since, in an equivalent salary rating, would pay six per cent. That is one side of it.

The second side of it is that the superannuation scheme is provided in order to get employees to make the civil service their life work, and also to accept salaries, lower than they might possibly get in outside industry.

For that reason we set up a fund. The Act provides that the government add a contribution to that fund, and it also provides that the government pay four per cent for the use of the money.

This fund is not invested in bonds. It is used by the government of Canada, and the government of Canada pays four per cent for the use of the money. My point is this. We set up \$103 million. That is the liability. But that cannot be strictly the case. I submit that we have a liability representing the contribution made by employees, and we have a liability for every award of an annuity which is actuarially calculated over the life of the individual, and that we have a liability for the amount paid for the use of the money.

What that figure would be, I have no idea. It might be more or it might be less than \$103 million. But I think it would be a clearer figure to consider.

As things are today, that fund is self-supporting. The income for the year was approximately \$20 million, while the out go was approximately \$11 million. So that currently the fund is growing over the years.

Q. Was this fund ever established on an actuarial basis?—A. The superannuation Act was drafted in 1924 by the Superintendent of Insurance and therefore I think you can take it for granted that in all his calculations he took into the consideration the actuarial treatment of the accounts.

In the early 1930's studies were made of the state of this fund. But if you should ask me the direct question: has there been any actuarial report on it, I would have to say no, because I have never seen any. I think there have been studies made, but I do not think there has ever been a published actuarial report on the state of the fund.

Q. It may be one thing for the fund to be in receipt of income which is larger than its out-go, but that does not touch the question of the actuarial soundness of the fund as between its capital assets on the one hand and its proved contingent liabilities on the other. Does your audit touch upon that larger question with respect to the capital soundness of the scheme?—A. No. We are auditors. We are not actuaries.

Mr. SINCLAIR: I think the Minister of Finance made a statement last night with respect to that \$75 million vote. He said that the superintendent of insurance had an actuarial study under way and that his report would be in shortly, and would be available.

The CHAIRMAN: Perhaps Mr. Bryce would like to make a comment.

Mr. BRYCE: Mr. Chairman, the main point is this: the Minister stated last night that a couple of years ago he had requested the actuaries in the Department of Insurance to make a valuation of the fund. He expects to get that report today or tomorrow or next day, or some time soon. We were hoping to have the report in time to use it as a basis for the appropriation introduced yesterday.

While the minister did not receive this report before bringing down the appropriation, he had received a verbal report from the actuaries indicating that the outstanding liabilities of the fund, the net liabilities of the fund, were several times the amount suggested in the estimates. And I believe he said last night in the House that it would be necessary to make further appropriations in future years to transfer to the account enough to represent the total liabilities.

I think it is desirable to point out that Mr. Sellar's suggestion here as to how the liability is determined is not quite the way in which the actuaries determine the liability. Mr. Sellar suggested that the liabilities are made up of two parts: first, the present value of the pensions already in effect, plus secondly the contributions received and the interest on such contribution. Now, the actuaries, normally, in valuing a fund of this kind estimate what benefits would be payable in future years, to those who are contributors to the fund and what future contributions might be anticipated from them.

You take the difference, the present values of the differences over a series of future years there is a net liability that should be shown. Now, the difference between these two items, Mr. Sellar's basis and the actuarial basis, may be substantial because Mr. Sellar's basis would not take into account annuities that you might expect to grant this year to a civil servant who has not yet retired. Mr. Sellar's basis would include contributions which the civil servant had made and interest thereon but not the present value of the annuity that you might expect him to obtain; so there is a rather subtle difference in the form of evaluation.

Mr. FLEMING: Not merely subtle; it may be very substantial.

Mr. BRYCE: It may be substantial, but anyhow it is subtle in the distinction. That is the only point I am making. I would expect the Minister would have this report shortly. I do not know whether it is his intention to table it, but I think he has indicated that he would. This was the first report made in many years and it has been a very large operation just to get it done, because it has been necessary to check up all the records of the superannuation branch and examine them in great detail.

Mr. SINCLAIR: I am not certain about the tabling of that report, but I know the report is being prepared. This \$75,000,000 item put in this year was essentially a guess, resulting from the preliminary study of the report. It was hoped that the report would be available at the time that item of the estimates was up for consideration in the House; however, it was not thought advisable to hold up the item in the estimates until the report had been completed. Work on it is being pressed and, it will be available as soon as it is prepared after the Easter recess.

Mr. MACDONNELL: I presume there will be an item in the estimates next year for the same purpose?

Mr. SINCLAIR: That is quite possible.

The CHAIRMAN: The next item is "permanent services pension account" number 76:

77—reserve for possible losses on ultimate realization of active assets:

Mr. FLEMING: That is a rather important item and a broad subject. I wonder if Mr. Sellar would review the item for us in view of the large sums involved. Is there anything you would like to add to what you have said here?

The WITNESS: No, sir, I have nothing to add to what I have said on previous occasions, which is that I think in the revision of the consolidated revenue and audit act they might well take notice of this. I think it is sound in many ways, but I think there should be a yard stick by which the amount should be calculated in such a way—for instance, if I am auditing the accounts of a corporation and they want to set up a reserve for bad debts I examine those bad debts and satisfy myself whether I would agree with them or not. In this case I cannot; and I think there should be some yard stick set up by which one could determine whether it is a proper amount or not.

Mr. MACDONNELL: What it amounts to then is this, that the government in setting up this item of \$75,000,000 is just going by guess and by God. I am not trying to be critical of it at all. We make appropriations now in anticipation of possible losses. There is the suggestion that we have same basis upon which we can regulate it.

Mr. CROLL: What difference would it make not having an analysis, we will pay it just the same, perhaps one year sooner or later, but in any event we would have to pay it. Would that not be the case, Mr. Sellar?

The WITNESS: My reply to that, Mr. Croll, is that it seems unreasonable to assume that the assets of Canada diminish by an even \$75,000,000 every year. That is something which just cannot happen three or four years in succession. It is not reasonable to expect. This whole reserve as I pointed out before which is now relatively \$320,000,000 is set up by the Minister of Finance so that he does not over state his net debt position to the House of Commons and to the public of this country. It is an attempt to be absolutely honest with the public of Canada and not to mislead them by putting assets in there which he cannot realize on; at the same time he feels that he should not declare to anyone what these assets are. I think some scheme could be worked out whereby we could put a realistic value on certain loans and advances. Let us not go into the Foreign loan picture—for instance take the Canadian National Railway, I do not think there is any expectation of the Canadian National Railway repaying some of these old advances. I do not think they could. Let us say that when we come to the year end the Minister says I do not think we should carry these bonds, we should have a reserve against these assets of "X" dollars—let us be realistic about it, they should be written off in a lump sum each year. That is my only reason. I respect the Minister for setting up the reserve.

The CHAIRMAN: We touched on that last year in the committee report when we suggested

Your committee is of the opinion that the Revenue and Audit Act should be amended to authorize writing off uncollectable debts that have accumulated up to 1940 in the government accounts. It also considers that proper regulations should be drawn for writing off yearly debts that have been considered uncollectable for the previous ten years.

Mr. FLEMING: You would deal with this by a revision of the consolidated revenue and audit act. This matter is one which could be dealt with through the legislation you have referred to here, by an amendment to the consolidated revenue and audit act?

The WITNESS: Yes sir.

Mr. MACDONNELL: I suppose this is a point that will not arise. You take in the case of a bank, it makes a substantial appropriation for a debt which is owed to it by one of its borrowers, it is not going to notify him of what it is doing, or tell him that in its opinion it will recover only so much of that debt.

Mr. SINCLAIR: No, and it is not going to notify his competitors either.

Mr. MACDONNELL: I suppose there may be a difficulty there; if you publicly write down these debts you invite people to make a little less effort to meet their commitments.

Mr. CROLL: I noticed in a return brought down in the House a few days ago that there was an increase of something like \$25,000,000 in the amounts which it was proposed to write off. Personally, I should be opposed to that particular writing off. I am opposed to the thing in principle. It would seem to me to be a mistake to write these debts off completely when they might still be collectable at some future date.

The WITNESS: There should be a reserve for that in the account, although that would be showing that we do not hope to get the money that is due us. However, it is not a thing that you can detail, it is definitely just a total figure.

Mr. CROLL: Mr. Sellar, let me just say this: I think the last time we were discussing this matter it was suggested that any account which had been outstanding for ten years might be considered uncollectable. If you were to list those accounts and lay them on the table you would have more copy than you have had in a very long time. That is my own view of it. I think there would be very grave danger in it and it might make for injustices.

Mr. SINCLAIR: One point that has been raised is giving the public knowledge that you are writing off certain debts, and the consequences which would follow from such action. That is one of the arguments which was advanced in connection with the writing off of soldier settlement balances following the last war. Possibly if they had been written off then we should be in a different position today, but it would have an effect on those who took up land under similar terms since World War II, and those people would be coming along, not trying to meet their commitments and asking us some years hence for a write off in the same way to aid them. Then another angle to it is the question of international debts. Once these international debts are written off as bad debts, it will become a matter of public knowledge; and if you have such an item in the accounts then you certainly are going to encourage other countries which may not be in so bad shape—you invite them to wait and look for write offs instead of making an honest effort to pay their debts.

The CHAIRMAN: If there are no further questions on 78 we will go on to 79—"the form of the balance sheet:"

Mr. MACDONNELL: There is just one question which I would like to ask in connection with item 78; you say, "On each side of the Balance Sheet is a heading, 'Province Debt Accounts'". Readers might assume, therefore, that the amounts opposite the headings represent the precise financial relationship between the Government of Canada and the provinces. Actually, they relate only to matters arising out of the British North America Act. Various other provincial credit and debit balances are included under other classifications. What would be the amount involved?

The WITNESS: If you look at page XXXVI of the public accounts—that is roman numerals—if you look at the top of that page you will see an amount there—British Columbia, Manitoba and so on—they total \$11,919,000; and then there is another item below of \$2,296,000. These amounts represent what are known as the debt allowance at the time of Confederation. Take New Brunswick for example. Section 116 of the B.N.A. provides that Canada pay the province 5 per cent interest on the difference between the actual debt as of Confederation and \$7,000,000. The amount was \$529,000, and we pay 5 per cent to the province on account of that. And now, the items below the line; in the case of Prince Edward Island, it had no land and they wished to acquire some land when they came into union—so it was provided that the government of Canada would loan them, would advance to them up to \$800,000 at 5 per cent interest

in order that they could purchase land from large land owners; therefore, the province of Prince Edward Island has to pay us interest on the amount it took but it never has to repay the principal. Now then, the other point was in the last sentence which you read. If you will look at paragraph 56 of my report you will see that loans to provinces represent \$93,796,000. If you will look at 65, you will see that we hold \$50,681,000 of corporation tax payable to the provinces; and in paragraph 74 I have referred to the common school fund, \$2,678,000; and when I was explaining that I also covered the school land fund in the prairie provinces in which there is \$33,000,000 available. I merely put those in to indicate to you that you should not assume that this item in schedule S, \$11,919,000, really explains the current situation between the provinces and the government of Canada. That is all, sir.

The CHAIRMAN: Item 79, "the form of the balance sheet":

Now, gentlemen, we reach the last part of the Auditor General's report, "miscellaneous audits". I think that item 80 is just a list of the various corporations, so I suggest that we should pass on to item 81, "Canadian Arsenals Limited". I see that item 81 to 86 inclusive relate to Canadian Arsenals Limited. Are there any questions on those items? I am assuming as I stated at our first meeting that members have already read this report, so after waiting for a few minutes I am passing on to the next item, as was agreed.

Carried.

Items 87 and 88, "Canadian Broadcasting Corporation";

Mr. FLEMING: I have some question on this subject, particularly in relation to item 88.

Mr. Sellar has raised here a rather far-reaching question about the basis of financing and bookkeeping of the C.B.C. with, I may say, particular reference to the purchase of the Ford Hotel building in Montreal, now known as Radio Canada. I would like to hear Mr. Sellar enlarge on the purport of his remarks here, particularly such remarks as those appearing on page 27, where he says in the third paragraph under item 88: "the situation now existing in Montreal and, to a limited degree at Sackville, where the shortwave transmitter is located, merits consideration."

And then, in dealing with the way in which the amounts have been set up with reference to the purchase of this property in Montreal and the management of it, the rental charge, and the distribution of costs as between the domestic service and the international shortwave service of C.B.C., Mr. Sellar concludes: "The status of the international service vis-a-vis the Canadian Broadcasting Corporation is, of course, one involving public policy, but accounting experience to date indicates that parliamentary control could more easily be preserved were the subsidiary international service merged into the Corporation on a basis which is equitable to purchasers of receiving set licences."

That is a very big subject. I think Mr. Sellar has raised many questions that will probably engage our attention now, Mr. Chairman?

The CHAIRMAN: Do you care to comment, Mr. Sellar?

The WITNESS: Well, sir, Mr. Fleming has referred to various point, but everything revolves around one—the particular status of the C.B.C. and the international shortwave service.

The international shortwave service is financed out of appropriations from parliament. The activities of the Canadian Broadcasting Corporation are financed out of its revenue from the sale of receiving set licences, plus its commercial revenues from sponsored programs. The agreement is that the Canadian Broadcasting Corporation operates the shortwave service on a cost-plus-5 per cent fee. That fee presents no problem to us. The accounts are well kept and easily separated; but, sir, when you come to the Radio Canada building

in Montreal, we have the peculiar situation there of the C.B.C., the real tenant, the main tenant, acting on behalf of the landlord, the shortwave service,—a situation which is embarrassing to the Canadian Broadcasting Corporation. The Canadian Broadcasting Corporation has a problem in determining what is a fair rental for the same studio which may be used for shortwave and then for ordinary broadcasting.

Mr. MACDONNELL: Is the whole building used for broadcasting?

The WITNESS: Yes, sir.

Mr. FLEMING: And executive offices?

The WITNESS: Yes, but I am taking it all in—when you say broadcasting you mean the operation of the Canadian Broadcasting Corporation.

Mr. MACDONNELL: Yes.

The WITNESS: Yes, and it is also used for television studios.

We have a very good relationship with the Canadian Broadcasting Corporation and I do not wish you to infer, from this text, that I am having trouble, they are in the same position as we are. They do not know exactly where they stand with respect to what is a fair division of the work between themselves and the shortwave service.

A very good example of the difficulty is the library of recordings. They may pull a record out for a shortwave broadcast, put the record back in, and it is pulled again for a local broadcast. Who should pay for that record? What should be the charge to each program?

Those are petty things but, in the larger sense, you have in effect the tail wagging the dog, when the building in Montreal is shortwave and the big user the C.B.C.

The Canadian Broadcasting Corporation attitude is that they do not wish to exploit the shortwave vote. Neither are they going to allow their revenue to be used to finance the cost of the shortwave service. It seems to me that some way should be devised of transferring everything to the Canadian Broadcasting Corporation, and that the government of Canada pay the Canadian Broadcasting Corporation so much for all of its shortwave broadcasts. That is my own thought.

By Mr. Fleming:

Q. That is to say you would do away with this cost-plus-5 per cent division, because you do not think it is possible to work out an exact separation of finances as between the domestic and the shortwave international broadcasting services?—A. I take it this way, sir. Shortwave broadcasting is not supposed to be for Canadian consumption; it is for other countries; and these broadcasts to other countries are not a matter of any interest to the Canadian Broadcasting Corporation. They are of interest to the government of Canada, as they are allied with international policy. Therefore, I say, let the government of Canada decide how much it wants to spend in a year for those shortwave broadcasts, what type of programs they want, and then let the government pay the Canadian Broadcasting Corporation for that service. They should carry it on as an ordinary business proposition.

Q. Coming back to the Radio Canada building in Montreal, when that was bought C.B.C. acted simply as an agent for the Crown, and carried out negotiations on behalf of the Department of Public Works. Now what would be your proposal as to the way in which that asset should be held, first of all with respect to title and, secondly, how the asset should be carried in the government accounts or C.B.C. accounts?—A. That building is now used for a special purpose. That purpose has nothing to do with the activities of the Department of Public Works. I would favour the building being in the name and the responsibility of C.B.C. That is a personal opinion, now, and I am

not trying to say what the outside policy viewpoint is. I am speaking to you as an accountant, and I think as an accountant, because that building is designed for studios, with special wiring, lighting, and so on, that the only sound administrator of the building is the user—namely the C.B.C.

Q. And, therefore, the only sound owner?—A. Well it is the government of Canada, whether it is the C.B.C. or any other department. The government of Canada put up the money in the first place.

Mr. MACDONNELL: May I ask a question here. Is there not a first class confusion arising over money being used for one thing when it was voted for another. I am reading from paragraph 87 where you are speaking of the \$4 millions paid for the Ford Hotel. "The major portion of the money was drawn from appropriations provided for the international service, with C.B.C. financing about \$150,000; out of interest-bearing advances made by the government to the Corporation for either capital works or developing television facilities."

Now, we have slipped there into a situation where money is voted for one thing and used for another?

The WITNESS: No, sir, they are all allied with the activities of Canadian Broadcasting Corporation. The first purchase was for the hotel, getting the tenants out by the 15th of September 1948, and so on. That represented \$2,200,000. Then, in 1950 they purchased two houses or buildings on Mackay street in Montreal—I have not seen them. They were not large investments but the buildings were bought and they have been charged to the loan made to C.B.C. for the development of television. C.B.C. is now obligated to repay that amount, but for the life of me I cannot see where C.B.C. is ever going to be able to find the money.

Mr. FLEMING: Well, Mr. Sellar, you have got to remember, that last year, for the first time, parliament did make an appropriation to C.B.C. to assist it in meeting the deficit. In the past everything has been done by way of loans but we had a new departure in policy last year. I think that fact should be borne in mind when we are considering that \$4 million loan made the previous year for the development of television.

The CHAIRMAN: Perhaps Mr. Bryce would say something here.

Mr. BRYCE: I might say that we have endeavoured to take note of the Auditor General's comments here and to meet them, First of all, in regard to the use of rental funds, the item in the main vote for the new year requests authority to credit to the appropriation—vote 53—an amount of \$100,000 from rental which may be expended for the purpose of international service. That is intended to make what is proposed quite clear, to set limits on it, and to meet, therefore, one of the points made by the Auditor General.

In regard to the other point, it is a question of setting a rental rate and a date from which it commences. I believe the Auditor General has commented here that the rent, and the date on which rent will be paid, has not been set. We have now reached an agreement between the Treasury, the Minister of Finance on the one side, and the C.B.C. and the Minister of National Revenue on the other, that the C.B.C. domestic service and television service will pay rent as from the 1st of April last. It was in April 1950 that the C.B.C. national service commenced to occupy the building with units other than the architectural and engineering units engaged in supervision of its construction.

Mr. MACDONNELL: But who does it pay rent to? Itself?

Mr. BRYCE: It will pay rent to the Crown and the international service will be authorized by the wording of the vote, if passed by parliament, to apply an amount up to \$100,000 only of that rent, toward the appropriation for the international service. That would put it on the same basis as it was on during

the current year. With respect to the rate of rental, the basic C.B.C. rate, we propose to have that determined by an independent valuator in Montreal.

Mr. MACDONNELL: I understand the business background is that the international service is operated by a different set of officials? Is it a separate organization in that sense?

Mr. BRYCE: The actual broadcasting is done very largely, or almost entirely, by a different set of officials. The business administration is carried on largely by senior officers and specialized departments of the C.B.C. There is a group of senior officers in the international service engaged in the rather ticklish business of determining the nature of programs and the way in which they are handled. That is entirely specialized, but we pay the C.B.C., as Mr. Sellar has pointed out, 5 per cent of the cost of operating the international service for their services in providing overhead, supervision, and administration.

Mr. CROLL: But is it not common business practice to charge a department a certain amount of the total overhead?

Mr. BRYCE: I believe it is.

Mr. CROLL: Mr. Sellar, take a large corporation like Ford Motor Company, the Chrysler Corporation, or others, they will charge a certain amount to the truck division, a certain amount to the car division, a certain amount to the accounting division, a certain amount to another division, and so on. Is that not what they are trying to do here? -

The WITNESS: Yes, but there is this distinction. We have two services which we are assuming are two different creations—the shortwave service being one of the government of Canada, and the ordinary broadcasting being an activity of a corporation. I am saying that they should be one.

Mr. CROLL: But are we not playing with terms. There is no one here that believes they are two separate corporations.

The WITNESS: They are, as far as the C.B.C. accounts are concerned.

Mr. FLEMING: Yes, and as far as parliament and its appropriations are concerned—

Mr. CROLL: You do not believe that, Mr. Fleming, although I know what you are getting at.

Mr. FLEMING: What we are concerned with here is the parliamentary financial setup. We have this annual vote in parliament for the purpose of carrying on this shortwave broadcast, which is built up on the basis of cost plus five per cent. Now, the five per cent does pay the cost of the overhead of the Canadian Broadcasting Corporation, there is no doubt about that. It strikes me that while it may be very simple to divide the rental for the building on the basis of space actually occupied between international shortwave on the one hand and domestic on the other, that just does not reduce the difficulty of trying to reach a sensible and fairly exact division of costs in other respects such as Mr. Sellar refers to here. Mr. Bryce will agree to that in other respects than this one subject of the rental of the building?

Mr. BRYCE: I think it is true, sir, that there must be a great many points where it is difficult to make a division of costs. The alternative is, it seems to me, that we should negotiate each year with the C.B.C. a fee for their operating the international services. I am not sure how or by whom this negotiation would, in fact, be carried out, but it seems to me that is the only alternative, that somehow or other the government, or the Treasury, or some body representing the government will negotiate with the C.B.C. a fee for them to carry on the international service, say, a fee something in the order of \$1¼ million, or \$1,500,000; and then, of course, arguments might arise as to whether the C.B.C. were supplying the quality of service that was desired by the government. It seems to me that it is simpler to divide the costs, as we are doing even though

there may be difficult marginal cases such as these recordings than to negotiate a fee, and a settlement in detail of the standard of service that they will provide for that fee. I do not think one can escape the difficulty one way or the other.

Mr. FLEMING: I think the matter may well be taken up further in the committee on Radio Broadcasting which should be set up again this year. Last year, the two items in connection with the parliamentary grants for shortwave broadcasts were referred to that committee and it was very helpful for the committee probing into this question. I hope that the committee on Radio Broadcasting will be set up this year again.

The CHAIRMAN: I agree entirely with that. Now maybe that we are dealing more here with the question of possible change of policies than we are on the Auditor General's report, but the last sentence here in the Auditor General's on Item 88 observes that in such a readjustment Canadian radio licence fee purchasers should be equitably dealt with. If we merged the international service with the regular C.B.C. domestic service we have to consider the last sentence here, which reads: "The status of the international service vis-a-vis the Canadian Broadcasting Corporation is, of course, one involving public policy, but accounting experience to date indicates that parliamentary control could more easily be preserved were the subsidiary international service merged into the corporation *on a basis which is equitable to purchasers of receiving set licences.*"—We should not make the listeners, those who buy receiving set licences, pay for the international service which is more or less in the nature of a government propaganda agency, I think this last sentence here is very important; that a solution being reached, it should be on a basis equitable to purchasers of receiving set licences, otherwise, there will be a necessity to increase the licence fee if we merged the two without taking that angle into account.

Mr. MACDONNELL: It seems to me that this is an unnecessarily complicated and unnatural relationship and I think a simpler relationship would do away with some of these questions coming up from time to time.

By Mr. Fraser:

Q. In connection with the maintenance of the Radio Canada building in Montreal, does the Public Works Department maintain this government building? I mean does it provide the char service and so forth?—A. No, sir, they have nothing to do with that.

Q. That is one public building in which they do not do that. I am glad to hear that.

Mr. BROWNE: Why should not the Canadian Broadcasting Corporation do the same thing as is done elsewhere, operate an international and domestic service? It is actually being done—a domestic service operating an international shortwave?

The WITNESS: The C.B.C. is operating the international shortwave as an agent of the government of Canada.

Mr. FLEMING: It is only in the position of rendering a service as an agent of the government for a fee.

The CHAIRMAN: Items 89 and 90. "Canadian Commercial Corporation?"

Mr. FRASER: We would have a better chance of going into that when we reach the accounts of the Department of National Defence after Easter, would we not?

The CHAIRMAN: Yes, but before we go into National Defence we want to finish this and write up our report on the Auditor General's report. Discussing these remarks of the Auditor General now would not prevent us from taking this question up in the committee later on.

By Mr. Macdonnell:

Q. Just a question as to the operation of the corporation. I am referring now to Item 89. Their total income amounted to \$1,166,000, they have a salary expense of \$913,700, and they end up the year with a surplus of \$52,190. Do they occupy government offices? Do they pay rent? How is this surplus of \$52,000 arrived at?—A. They receive money from two sources. There is a vote by parliament each year reimbursing them for their expenses in connection with national defence contracts, and they also buy for other governments and for international agencies such as the United Nations Children's Emergency Fund, in which case, they get a commission, and out of their activities they do a little more than break even.

Q. Do they publish an annual report?—A. Yes, sir, and it is tabled.

The CHAIRMAN: Any further questions?

By Mr. Fleming:

Q. On the next item, No. 90, the Auditor General is raising an important question about advances, drawing attention to the fact that at the end of the fiscal year Canadian Arsenals were holding at the fiscal year end approximately \$10 million, for which Canadian Commercial Corporation is accountable pending delivery of the manufactured replacements. The Auditor General goes on to say this:

"In view of the fact that parliament had provided Canadian Arsenals with \$5 million working capital, doubt must necessarily be entertained as to the administrative prudence of making such large advances, even to a crown company, before the scale of production justifies payment."

Is that an observation that is likely to have relevance now, Mr. Sellar, with an expansion in production of defence material?—A. No, sir, that was an exceptional transaction involving,—you remember you discussed it last year—the sale of certain ammunition to the government of Pakistan in which the ammunition was supplied out of the stocks of the Department of National Defence and it was provided that money Pakistan paid would be used to produce like ammunition in Canada by Canadian Arsenals. Pakistan paid, of course, on delivery of the ammunition to them and they paid Canadian Commercial Corporation here, but instead of retaining that money and paying Canadian Arsenals against deliveries, for some reason, it made advances of very large sums to Canadian Arsenals. I remonstrated after I saw the transaction saying I did not think it right. I pointed out that the Canadian Commercial Corporation should have treated Canadian Arsenals as they would have treated an outside supplier, that is, pay them on delivery or make progress payment to them. However, Canadian Arsenals got the money and it was reflected in their accounts; the money is still safe, though, but it seems to me it should be in the accounts of Canadian Commercial Corporation. It is not a big matter, but nevertheless I draw it to your attention.

Q. If there were less in the accounts of the Canadian Arsenals there would be more in the accounts of the C.C.C.?—A. Yes, sir. I might add that I think they agree with me now.

Q. Now, in future operations between these two, do I correctly understand the situation, that the C.C.C. may be figuring in these transactions to a much lesser degree than hitherto, the reason being the setting up of the new department of Defence Production?—A. I know nothing about that because the new department is not operating yet.

The CHAIRMAN: Are we through with these two items? Gentlemen, it is a quarter to one. The meeting stands adjourned at the call of the Chair after the recess, and I wish you all and every one of you a pleasant holiday and a pleasant Easter.

—The committee adjourned.

SESSION 1951
HOUSE OF COMMONS

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Government
Publications

STANDING COMMITTEE

ON

PUBLIC ACCOUNTS

CHAIRMAN—MR. L. PHILIPPE PICARD

MINUTES AND PROCEEDINGS AND EVIDENCE

No. 5

Wednesday, April 4, 1951

WITNESSES:

Mr. Watson Sellar, C.M.G., Auditor General.

Mr. R. B. Bryce, Assistant Deputy Minister of Finance.

OTTAWA
EDMOND CLOUTIER, C.M.G., O.A., D.S.P.
PRINTER TO THE KING'S MOST EXCELLENT MAJESTY
CONTROLLER OF STATIONERY
1951



MINUTES OF PROCEEDINGS

HOUSE OF COMMONS, Room 430.

WEDNESDAY, April 4, 1951.

The Standing Committee on Public Accounts met this day at 11.00 o'clock a.m. The Chairman, Mr. L.-Phillipe Picard, presided.

Members present: Messrs. Anderson, Benidickson, Blue, Boisvert, Boivin, Brisson, Campney, Cauchon, Cavers, Cloutier, Croll, Fleming, Fournier (*Maison-neuve-Rosemont*), Fraser, Fulford, Gauthier (*Portneuf*) Helme Macdonnell (*Greenwood*), Major, Maltais, Picard, Riley, Sinclair, Stewart (*Winnipeg North*), Wright.

In attendance: Mr. Watson Sellar, C.M.G., Auditor-General; Mr. R. B. Bryce, Assistant Deputy Minister of Finance.

The Committee resumed and completed article by article consideration of the Auditor General's Report for the fiscal year ending March 31st, 1951.

Mr. Watson's examination in respect to the said Report was continued and completed. Mr. Bryce was asked a few questions on certain specific points arising out of the witness's examination.

The witness was directed to prepare and file a statement in connection with Sources and Application of Funds of various Crown Companies. (*See Appendix "A" to to-day's Minutes of Evidence.*)

The witness was retired.

The Chairman thanked both Mr. Sellar and Mr. Bryce for their valuable help to the Committee.

At 12.35 o'clock p.m., the Committee adjourned to meet again at the call of the chair.

ANTOINE CHASSE,
Clerk of the Committee.



MINUTES OF EVIDENCE

HOUSE of COMMONS

APRIL 4, 1951.

The Standing Committee on Public Accounts met this day at 11 a.m. The Chairman, Mr. L. Philippe Picard, presided.

The CHAIRMAN: Gentlemen, I see a quorum. The last time we adjourned we had reached item 91, Canadian Patents and Development Limited. Are there any further questions on this item? If not, we will proceed. The Auditor General has a remark to make about the correction of a statement he made the other day.

Mr. Watson Sellar, Auditor General, called:

Mr. R. B. Bryce, Assistant Deputy Minister of Finance, in attendance.

The WITNESS: Mr. Chairman, I wish to apologize to the committee, and in particular to Mr. Fleming, for having given figures that were not strictly accurate in connection with the King's Printer's advance account. Mr. Fleming asked me at the last sitting what was the volume of the transactions in the year and I told him \$12 million [*page 105*]. \$12 million was right for the year 1949, but for 1950 the more correct figure is \$14 million; that was approximately the turnover in 1950.

Another question that I could not quite completely answer was the amount available in the revolving fund under the Indian Act. I stated that it was either \$75,000 or \$100,000; the Act itself provides \$350,000, but that is subject to regulation and the regulation limits the amount to \$100,000 which the Minister of Finance can advance in any year. Finally, I overlooked one revolving fund, that is the one under the Grain Act, where there is a revolving fund of \$500,000 provided in connection with the operation of the government elevators. Its purpose is to permit the elevators to pick up bills of lading for cars of grain consigned to them and which they in turn immediately recover from the shippers. Accounts are rarely outstanding for more than two or three days and at the end of the year there was only \$2,000 outstanding; so that shows you how quickly they collect.

I am sorry, Mr. Fleming, that I overlooked that one.

Mr. FLEMING: I can assure Mr. Sellar that no apology is required. At the time, as auditor, he was, of course, merely speaking from memory.

By Mr. Fleming:

Q. May I ask one question on that first point with regard to the \$14 million in the revolving fund: what is the statutory or parliamentary authority which determines the nature and operation of that particular revolving fund? I refer there, of course, to the King's Printer.—A. In each case the Act fixes a ceiling. In the case of the King's Printer it is \$2 million and outstanding accounts; in other words, an amount sufficient to cover one month's outstanding departmental accounts. In all other cases it is specific.

Q. Then, the effect of that in operation would be that the \$14 million represents the extent to which that fund was used, or revolved?—A. Yes; or, to put it another way, it means that the King's Printer turned over his working

capital seven times during the year. That is perhaps a crude way of putting it and may over-simplify it, but that is how it works out.

The CHAIRMAN: Section 91, Canadian Patents and Development Limited.

Mr. FRASER: Are you going on to complete the report of the Auditor General?

The CHAIRMAN: That is what we had agreed to do. This is the fifth meeting. We are on item 91. May I repeat what I said at previous meetings, that it is assumed that everybody has read the Auditor General's report before coming into the committee, so we do not read the item in detail.

Mr. FLEMING: I have one general question about a number of these corporations; perhaps it would be well for me to put it now. What department of the ministry carries the responsibility for Crown companies with respect to the discharge of their duties and responsibilities—the various functions of the different Crown corporations? I know that in certain cases some of these Crown corporations come under Mr. Howe and in other cases they may come under the Minister of Finance, or under various ministers. Who is responsible for superintending the discharge of the corporative functions, duties and responsibilities of the various corporations, and their financial operations in order that supervisory responsibility may be established?—A. Well, take the case here of the one with which we are concerned at the present moment, the minister holds all the shares except the qualifying shares of the directors; therefore, whenever a directors' meeting is held it is the practice for them to inform the minister of the various decisions taken at their meeting; while, possibly, you might say that the minister has no power to vary the action taken at that directors' meeting, as a matter of fact if he sees anything objectionable he immediately brings it to their notice. As a rule they work in very close relationship with him. That is particularly true of Mr. Howe. He has always maintained a very close relationship with all companies under his direction.

By the Chairman:

Q. You mean, the shares that are Crown property are vested in the name of the minister concerned?—A. Yes.

Mr. FLEMING: Well, I was thinking in terms of agencies and of the responsibility in each case, which stems, as I understand it, from the authority of parliament. As I understand it, first of all, the Crown or the minister appoints the board of directors; then, as I understand it, while the minister does not sit in at directors' meetings, a copy of their minutes goes to him and if there is anything in them which does not look good to him and with which he does not agree, he takes remedial action.

The CHAIRMAN: As a shareholder, as the majority shareholder.

By Mr. Fleming:

Q. He is the man who appoints them?—A. Oh, yes.

Q. Then there may be the financial safeguards too. Suppose a corporation requires money; and in their operations they may require some money beyond what is available to them under the statute; in such cases they have to come back to the minister?—A. Yes, and with respect to all subject to the Government Companies Supervision Act, the supervising minister concerned or the Minister of Finance; either of them has the power to seize any of the moneys in the hands of the companies which they consider are more than adequate for the purposes of the company.

Q. Well then, in your department, do you undertake to do anything along the lines indicated in that last statement?—A. No. We, of course, bring out

the actual financial position—what is in cash, and what is the volume of business and so on and so forth—and immediately when we finish an audit and sign our certificate we, of course, send the original to the company for its shareholders' meeting, but immediately a duplicate copy is also sent to the minister responsible for that company for his information.

Q. But as Auditor General do you not make any investigation about the amount of money that is being employed in any corporation?—A. No, that is a statutory discretion invested in either one of the ministers.

Q. You will not care to offer any opinion then, as to the practice being followed?—A. I think the practice up to date has been quite sound and that there is nothing for you to worry about, sir.

The CHAIRMAN: 94—Commodity Prices Stabilization Corporation Ltd.

Mr. FRASER: On that, Mr. Chairman, it says here, "these consisted of seal oil and whale oil purchased in 1948-49, after oils and fats had been decontrolled. The seal oil had been obtained from a Canadian producer at a cost of \$173,613 and was sold for \$16,804; while the whale oil had been acquired from a Newfoundland source at a cost of \$964,136 and realized \$506,893. Thus there was a loss of \$614,052 in disposing of these commodities." That seems to me to be a tremendous loss.

The CHAIRMAN: I would ask Mr. Bryce if he would care to answer that for you.

Mr. BRYCE: I had a brief explanation which I obtained from the corporation, if I may be permitted to read it:

On October 2, 1945, the seal oil plant of St. Lawrence Products Limited (Louis T. Blais) at Tabatiere on the north shore of the Gulf of St. Lawrence adjacent to the Quebec-Labrador boundary was destroyed by fire. The owner was disposed to discontinue operations, but he was persuaded to rebuild in order to increase the supply of needed oils and fats and to avoid the undue hardship which the consequent unemployment would bring to the inhabitants of the area. To this end the administrator of oils and fats of the Wartime Prices and Trade Board strongly sponsored the application for priorities for materials required in rebuilding the plant. At the same time the government of Quebec made a cash contribution to the cost of rebuilding the plant.

At the time this action was taken there was a world-wide shortage of oils and fats and the decision was taken in view of this situation. Normally, soap and shortening manufacturers prefer vegetable oils to marine animal oil, and consequently when there was an unusually heavy production of vegetable oils in the United States during 1948, the price of oils and fats fell and there was relatively little demand for animal oil at any price. Because of the encouragement given to the building of the plant the government felt that it had implied responsibility for the disposal of the 1947 season production of seal oil by the Tabatiere plant, and although Commodity Prices Stabilization Corporation had discontinued active bulk-purchasing of oils and fats in April, 1948, and oils and fats had been decontrolled as of August 1, 1948, the Wartime Prices and Trade Board on instructions from the Minister of Finance authorized and directed Commodity Prices Stabilization Corporation to purchase the seal oil produced by the St. Lawrence Products Limited and held on September 20, 1948 (at certified costs) and to dispose of the oil at such prices as might be readily available. The purchase of 1,347 drums was made on November 29, 1948, and the sale was effected on July 29, 1949.

transferred approximately 2,000 tons of whale oil into storage at Sorel, Quebec. Following the availability of vegetable oils, consequent upon the unusual heavy production in the United States during 1948, there was little demand for whale oil, as soap and shortening manufacturers normally prefer vegetable oils for their products when such are available.

As Crosbie and Company Limited had moved their whale oil to Sorel in anticipation of sale in Canada and as Canada had not requested the International Emergency Food Committee to re-allocate the oil to some other country, the government felt an implied responsibility to purchase this oil. The Wartime Prices and Trade Board on instructions from the Minister of Finance authorized and directed Commodity Prices Stabilization Corporation to purchase the whale oil stored at Sorel at a price of 20.4 cents a pound (the price paid for Norwegian whale oil earlier in the season) and to dispose of it in Canada or elsewhere. The purchase was made on November 29, 1948, and there being no demand for whale oil in Canada, sales were eventually made in Belgium in the summer and fall of 1949. Due to a decline in the market price of oils and fats the loss noted in the Auditor General's report was sustained.

The whale oil was included in the corporation's inventory as of March 31, 1949. The inventory was disposed of in the following fiscal year and the loss thereon was reported to the Standing Committee on Public Accounts by the chairman of the Wartime Prices and Trade Board on May 30, 1950, and was discussed in the proceedings of the committee on that date (pages 542-543 of the minutes of the proceedings and evidence).

Details of the transactions are as follows:

Laid down cost	\$964,136.34
Sale price	506,892.67
Loss	<u>\$457,243.67</u>

Particulars of laid-down cost:

Paid to Crosbie	\$908,966.06
Less recovered	6,735.19
	<u>\$902,230.87</u>
Ocean freight paid	39,593.01
Storage charges paid	7,039.04
Weighing, inspection surveying charges paid	1,638.93
Service charges applied	13,634.49
	<u>\$964,136.34</u>

Mr. WRIGHT: I wanted to ask a question about whale oil, while you are on the subject. Were there any other purchases made of whale oil from Canadian companies in 1949?

Br. BRYCE: I do not believe so; but I will find that out for you, and, if I may, put it in today's record at this point if the chairman will permit me. (Later: The answer is "no". R.B.B.)

The CHAIRMAN: Yes.

Items 95 and 96—Crown Assets Disposal Corporation.

Mr. FRASER: On this item 95, this corporation, if I remember correctly, used to be known as the War Assets Corporation but its name has been changed.

I was wondering whether its functions were simply to dispose of surplus war assets?

The WITNESS: Its function is the disposal of surplus war assets, yes; and to make collection, of course, from the sales of ships and so on.

Mr. FLEMING: I do not suppose Mr. Sellar is in any position to answer questions about government policy with respect to these companies.

The CHAIRMAN: I do not think it would be proper to ask him to make any statement about policy.

Mr. FLEMING: I do not mean about policy, rather about practice, the practice which has been followed with respect to the disposal of these surplus war assets. I do not know whether Mr. Bryce could give us any information on this or not. I suppose we have all had requests for special equipment of one kind or another in which organizations such as cadet corps at schools are interested. The reason I am interested in this, Mr. Chairman, is that I think that it is generally understood that war assets are disposed of through this corporation, but what I have more particularly in my mind at the moment is whether or not the corporation in disposing of equipment turned over to it by the Department of National Defence makes any attempt to find out whether such equipment would be useful, apart from its sale value. Here is a specific case, band instruments, military band instruments which become surplus. There are cadet bodies in schools all across Canada where these band instruments are greatly needed and the cadet bands and the schools simply haven't got the funds with which to get the instruments they want and need. So far as I know, the corporation has not made any attempt to ascertain whether they need that type of equipment, whether it could be usefully used by cadet organizations or similar bodies, nor have I heard of any other organization which considers that aspect of it. As I understand it these surplus commodities are all sold to the trade.

Mr. BRYCE: Mr. Chairman, while I cannot speak on behalf of the corporation my recollection is that that sort of thing was done in the early days of War Assets on a modest scale. I would think from what I have seen in the public transactions more recently that it has become less common, because the normal operation of the company is that it offers for sale the goods turned over to it for disposal; and unless it hears of an opportunity or unless the government gives it some direction to seek such opportunity, I do not think the company would normally consider it as a part of its ordinary responsibility to seek such outlets itself.

Mr. FLEMING: What is the practice of the corporation with respect to the negotiation of the price on the sale of surplus war assets?

The WITNESS: I am sorry, I am not in the position to tell you their practice on that.

The CHAIRMAN: I think we had better call someone before the committee who has more detailed information about that.

Mr. FLEMING: Quite obviously this witness hasn't got that information. We might make a note of it as a matter for future reference.

The CHAIRMAN: Do you want to get that before we leave the Auditor General's report, or at a later date after we have finished with the Department of National Defence?

Mr. FLEMING: I think we should go through each of these items now, Mr. Chairman.

The CHAIRMAN: I mean this; we are to get through this morning with the Auditor General's report, this is now the fifth meeting on it—we are supposed to have a meeting of the steering committee and arrange to go into the work

on the Department of National Defence—if we were to deal with the point we have just raised it would require the calling of special witnesses from the appropriate department. And now, if the committee are willing to do that, I have no objection, but I am bound at the moment by the ruling that we shall not have more than these two witnesses, and if you wish to have someone called from Crown Assets I would have to put it to the committee for a decision.

Mr. FLEMING: All I would ask, Mr. Chairman, is this, I do not know how long this would take, but at some future time it would be helpful for us to have that information. The present indications are that this corporation is one which shows a tendency to increase its activities, it does not appear to be one of the corporations which is likely to fade away.

Mr. CROLL: Mr. Chairman, let me get this clear. We are finishing our original task, or we will finish with it this morning, and then it is just a matter of calling other witnesses before the committee. Perhaps we could fit them in when the people from the Department of National Defence are here, as they are the department more immediately concerned.

Mr. SINCLAIR: Yes, Mr. Chairman, may I make a suggestion? There has been special reference to the Department of National Defence. They are the department which are turning over most to Crown Assets, and I would think that when we are examining the National Defence people they might suitably be asked for a statement of policy with regard to the disposition of war assets and surplus commodities.

The CHAIRMAN: Yes, they are the departmental officials in charge of Crown Assets. In any event, Mr. Fleming is a member of the steering committee, and he could bring the matter up for consideration before that committee at some future time.

Mr. FRASER: I would like to ask Mr. Sellar a question with regard to item 96, this \$50,000 for a new road, and the fact that the contract was broken; why was that?—A. It became unnecessary, they did not need the road.

Q. They did not need the road?—A. No, therefore the government's share of the appropriation was not required.

The CHAIRMAN: Item 97—Custodian of Enemy Property.

By Mr. Fleming:

Q. This is an item which was up three or four years ago. May I ask Mr. Sellar, in regard to the surplus referred to, which was \$1,941,412 as of December 31, 1949. Now, I note, that of this amount \$1,093,437 is reserved for the settlement of possible claims. Are there any items in either of these figures bearing upon the settlement of claims of Canadians of Japanese racial origin in British Columbia?—A. No sir, the amount deals with world war I.

Q. Is world war II in here also?—A. Yes, world war II is in there also, but in another part above, I say, "The Custodian's operations regarding world war I have likewise resulted in the accumulation of a surplus—"

Q. I am sorry, I am referring to the earlier sentence.—A. The earlier one, of course, was not in connection with world war II. The total assets are steadily diminishing year by year. The year before it was \$100 millions, then it dropped to \$53 million, and this year it is around \$33 million. They have not liquidated all claims in connection with world war II yet by any means.

Q. No, no, but in analyzing these accounts is there anything in them relating to these persons, Canadians of Japanese origin, who were moved out away from British Columbia?—A. No, the world war II accounts are not liquidated yet, and Japanese money may still be involved because there is a custodian office still operated in Vancouver in connection with that.

Q. There was a sum of money appropriated by parliament two years ago to meet the claims of such persons. It is that part of the money now in the hands of the custodian?—A. I cannot answer that, sir, I will try and find that out for you.

By Mr. Stewart:

Q. I wonder, Mr. Chairman, if Mr. Sellar could give the committee any idea as to the nature of this liability of over a million dollars which has been in existence for thirty years now.—A. That, sir, is in connection with various claims of European countries. I understand the custodian has in the past year been trying to clean it off. I think the deputy custodian, that is the Under Secretary of State, made a trip to Europe last year for the purpose of trying to straighten this out.

Q. That is the total amount now?—A. Yes. We are disputing their claims, of course.

By Mr. Fleming:

Q. Is the custodian disbursing money in the settlement of claims from month to month?—A. He is doing so constantly. You have to bear in mind that the custodian handled not only enemy moneys, but also the moneys of friendly people in occupied territories, and therefore such funds are passing back to their proper owners. We never seized that money in the true sense of the word.

Consider the nationals of France who had money in this country. When France was occupied, we took possession of that money but we did not take over the ownership of it. Therefore it is constantly going back to its real owners.

Q. Do you, as Auditor General, review the settlement of claims and review the payments which are made in settlement?—A. We audit the accounts. But where there is a discretion vested in the custodian, that is his discretion.

Q. To what extent was there any review of his settlements?—A. I would not say that I review the legality of his settlements, or the reasonableness of his settlements, because I regard that as a power vested in him. I audit the accounts but if I saw anything extraordinary, perhaps I would feel that I should draw it to your notice. But I have not noticed anything.

Q. You are concerned with the fact of the payment but not with its grounds?—A. Precisely.

The CHAIRMAN: Shall the item carry?

Carried.

Paragraph 98, Eastern Rockies Forest Conservation Board. Shall the item carry?

Carried.

Paragraphs 99 and 100, Eldorado Mining and Refining (1944) Limited.

Mr. STEWART: Mr. Chairman, with respect to paragraph 100, I wonder if Mr. Sellar can give us any idea of how much money is saved to Eldorado Mining and Refining by exemption from local taxation? I realize that is rather a detailed question.

Mr. CROLL: It is more than local taxation. There are various forms of taxation.

Mr. STEWART: Well, dominion taxation is robbing Peter to pay Paul.

Mr. CROLL: All right!

The WITNESS: The Eldorado Mines are located in the Northwest Territory in unorganized areas. Therefore the only property that really pays taxes is the Port Hope refinery; and speaking from memory, I think they make a contribution to the town of Port Hope in lieu of taxes.

Mr. SINCLAIR: That is all part of the formula announced by the Minister of Finance in connection with these Crown companies. They have made or are making taxation arrangements so far as local taxes are concerned. But they are making no arrangement so far as federal or provincial corporation taxes are concerned.

By Mr. Wright:

Q. Mr. Chairman, with regard to the capital expansion of Eldorado Mining and Refining Limited, or other Crown companies, can they use the profits which they make from year to year for the purpose of capital expansion, or must they come to the government for all new capital expansion, while their profits are turned into the general account of the consolidated revenue account?—A. No. The profits of Crown corporations are retained by those corporations. But as I stated earlier, the Minister of Trade and Commerce in this case, or the Minister of Finance can seize any part of their surplus moneys which they regard as excess. Therefore if the Eldorado Mining and Refining Company Limited decides to expand facilities that is done out of profits, but only after consultation with the shareholders, namely the Minister of Trade and Commerce for, as I stated earlier, all the shares are registered in his name.

Q. Do you think that is quite right? Perhaps I should not ask you that question.

Mr. CROLL: No! No!

By Mr. Wright:

Q. But it does seem to me that the practice of allowing Crown corporations to use their profits for capital expansion without any consultation with parliament is, in effect, expanding that Crown corporation without the consent of parliament. It does seem to me that before any expansion, a Crown corporation or company should first have to come to parliament for a vote of the money for that expansion rather than to use its profits. Otherwise parliament loses control over the expansion of that company. So it does seem to me that it is something to which this committee should give important consideration.

These companies are pretty free agents. They are free from any control by parliament in their expansion. They can charge, in many cases, the government itself as the purchaser of the products of these corporations, a price which enables them to make a profit, a considerable profit. A Crown corporation can go on expanding without the consent of parliament which originally set up the Crown corporation in question. So it seems to me that this committee should give some serious consideration to our present set-up of Crown corporations, and that we should as a parliament have control over their expansion. And the only way I can see of doing so is through requiring that new capital expansion must be provided from parliament, and that any profits made by those corporations should be turned into the consolidated revenue fund, over and above their normal working capital and whatever their costs may be, otherwise we have no control over them.

Mr. SINCLAIR: Once again this is a recommendation made last year, and in view of the fact that the time for consideration of the Consolidated Revenue Audit Act is drawing closer and closer, perhaps then would be the best time for us to go into this question more fully, I mean the question of control over the finances of Crown corporations.

Mr. FLEMING: I would like to ask the Auditor General what additional controls by parliament might be useful in preserving the principle of parliamentary responsibility.

The WITNESS: Well, sir, that is a little out of my field but, let us take Mr. Wright's particular case and refer to Northern Transportation Company which

services the north country. Its rates are controlled by the transport commissioners. In other words, the company has not the fixing of the rates at all. That is done in the same way as railways' rates are fixed.

One of the big problems of Northern Transportation Company was that when acquired by the government of Canada the equipment, barges and so on, was obsolete. A large sum was invested in new ones and when they were put into use, the business became a more profitable one and we have recovered our capital cost. Secondly, there is a long portage in the north country—about 25 miles in length—which is a major item of expense in the operation of Northern Transportation Company. Within the last two years they have devised a new scheme. They load their scows in such a fashion that when they reach the portage machinery there lifts the load out with something like a sling, and loads it on to equipment which carries it across the 25 miles. In that way they have reduced the cost materially.

Therefore I do not think, sir, when you are operating a straight commercial proposition, that parliament need be unduly concerned with it unless it is showing very bad losses or has excessive revenues on hand. You have already provided for the latter because if it has excessive revenue on hand either the minister over it or the Minister of Finance can seize the money. I am not unduly concerned as far as the Northern Transportation Company and Eldorado are concerned.

Mr. WRIGHT: I do not know the details of the Eldorado Corporation but what I am concerned with is the principle under which Crown corporations are operating. I think they can get completely out of control of parliament unless we control all their capital expenditures. I think, because so many of them give service to the government, they can charge prices for those services which will enable them to make a profit. It might be government policy to permit a Crown corporation to charge prices that would make a profit—in order to expand the company—all without the control of parliament.

The CHAIRMAN: May I suggest that every member has a right, when he gets these company reports which are presented to parliament, to look through them and if he sees something that he does not like to question the minister responsible. There cannot be much in the way of capital expansion that would get out of hand.

Mr. FLEMING: It is not so much a case of capital expansion as of surpluses from operation—revenue surpluses for capital expansion.

The CHAIRMAN: Do you think it would be practical to come to parliament each time they need new barges or equipment, or when they wish to dispose of their equipment for the betterment of the working arrangements?

Mr. FLEMING: Those are details which no one would suggest be referred to parliament, but it is the broad question that is of concern. Mr. Sellar has indicated that he does not see any problem in connection with these two particular corporations but it may be, in the over-all picture which applies to these Crown corporations, that there is some occasion for examination by parliament into revenue surpluses and capital expansion. There may be a question of policy quite apart from consideration of the moneys originally loaned by parliament.

However, I wish to come back to my previous question to Mr. Sellar. Are there any additional parliamentary controls over these corporations that he considers desirable for the purpose of maintaining the principle of parliamentary responsibility and parliamentary control over expenditure?

The CHAIRMAN: That again would involve the Consolidated Revenue Act in which the controls would have to be provided.

By Mr. Fleming:

Q. Quite, but would Mr. Sellar care to make an observation?—A. The only thing I could add is this. You set up a Crown corporation to operate an industrial business; it is in competition with other businesses; you cannot tie down your directors, or putting it another way, you cannot put your directors into a strait-jacket. The corporation has got to be in a position to compete with others.

Now, the suggestion has been made that the government is the major buyer, but I can think of only one case where the government is the major buyer—and that is Canadian Arsenals. In turn, there is an incentive there on the part of the government to get as good a price as possible because payment has to come out of a vote. Canadian Arsenals is the only case. The Polymer Corporation, for example, sells to the trade almost entirely. Eldorado is not selling materials to the government although it does provide certain things for the Chalk River project. These companies are dealing, as a rule, with the ordinary public. That is a point which you have to bear in mind. If you are going to run an industrial business do not put it into too much of a strait-jacket.

Q. I appreciate the fact that you cannot put the directors in a strait-jacket but I wonder if there is anything we should do that we are not doing—and this will have a bearing on amendments of the Consolidated Revenue Act—between letting the directors run wild on the one hand without any measure of parliamentary control over expenditures, and on the other hand putting them in a strait-jacket which cramps their operations?

Mr. SINCLAIR: Is there not one point there—the very great degree of difference, as Mr. Sellar has pointed out, between the types of corporations. A corporation competing industrially, like Polymer, has a natural check on it, whereas we have other corporations such as the National Harbours Board which is a government agency, where a greater degree of check is needed. Some Crown corporations are not out to compete with private enterprise. The Dominion Coal Board would be another example. Is there any advantage in having a check on all corporations, or should we pick out those corporations which are more in the nature of government agencies, leaving the others because they have got competition?

Mr. FLEMING: Is there anything in the way of a formula which Mr. Sellar would suggest?

Mr. MALTAIS: If it all works well I do not see why there should be a formula to improve the system. As Mr. Sellar says, the minister being the main shareholder, has authority to seize and get back the excess profits from those Crown companies. I do not see any danger or where the directors can go astray. Before they can make excessive capital expenditures there would be excessive profit that the minister, under the Act, can get back into the Consolidated Revenue Fund. I think parliament, through the Minister of Finance, has some say in the excess profits of the company.

Mr. WRIGHT: Would it be possible for parliament to set a limit over which all profits from Crown corporations would be returned to the Consolidated Revenue Fund—say anything over 5, 6, or 8 per cent, or whatever might be reasonable? Deal with it in the same way that an ordinary commercial company would.

Mr. SINCLAIR: Your trouble there comes immediately because of the various classes. Certainly the reserves for Eldorado, being a mine and a wasting asset, would have to be far higher than the reserve for Polymer which is an ordinary commercial concern.

Mr. STEWART: Is obsolescence not allowed for?

Mr. SINCLAIR: Obsolescence and depletion of a mine are completely separate items.

Mr. FRASER: May I ask a question?

The CHAIRMAN: I wonder if Mr. Sellar wants to comment?

The WITNESS: Mr. Sinclair mentioned the National Harbours Board. It has no shares and the Act says that it shall be "under the minister". The minister, being a member of parliament, is answerable to parliament so you have direct control over the National Harbours Board.

Mr. FRASER: Does Mr. Sellar know of any profits that have been turned over by Eldorado or Northern Transportation Company to the government?

The CHAIRMAN: Or profits of any other Crown companies?

The WITNESS: A year ago they retired shares—it took that form.

By Mr. Fraser:

Q. That is the million dollars and the 10,000 shares?—A. In the current year they declared a dividend. It came to the Receiver General and I saw the cheque handed to the Receiver General. That will appear in the report to be tabled one of these days.

Q. Mr. Sellar also said the government paid out for new barges such and such money. He did not mention the sum and he said that the capital cost had been recovered. Did that come back to the Consolidated Revenue Fund?—

A. The money was advanced to Northern Transportation Company by Eldorado, the parent company, and it has been recovered back to Eldorado company.

Mr. FLEMING: I suppose we are under somewhat of a handicap dealing with this question until we see what amendments are contained in the Consolidated Revenue Act which is to be introduced later on. It is an important question, and actually parliament can be sitting here without exercising any effective control over the expenditure of large amounts of public money.

Would it be a great task to prepare a statement of the amount of public money in the hands of various Crown corporations today, with some indication of revenue surpluses over a period of two or three or four years, just to indicate to us in a broad way how much revenue surplus if any has been used for capital expansion, and how much has been turned into the Consolidated Revenue Fund? That would give us at least a bird's eye picture of the whole situation. Otherwise, I do not know how parliament is going to exercise any control over these expenditures, apart from the amount it appropriates by statute to capitalize the corporation to begin with.

The CHAIRMAN: Well, instead of having to dig into every report, you would want one report given to this committee?

Mr. FLEMING: A statement, to give us a bird's eye view of the whole situation. I appreciate that you cannot make a general rule, you have to deal with each of these on their merits. No two are alike, and I appreciate that there is difficulty in laying down a hard and fast rule. As Mr. Sellar says, you do not want to put those in charge of the operations in a strait-jacket. On the other hand we, as a committee of parliament, are charged with the maintenance of the principle of parliamentary control over expenditure. I wonder if we are doing that simply by contenting ourselves with saying these facts are reported by the corporation to the minister?

The CHAIRMAN: And by the minister to the House?

Mr. FLEMING: We get an annual statement and may ask the minister questions, but there is no effective means of getting into the meat of any particular corporation or into the over-all picture as it applies to Crown corporations.

Mr. SINCLAIR: Unless they have deficits?

Mr. FLEMING: Yes, when we are called upon to vote more money to make up the deficit, as in the case of the C.N.R. and T.C.A.

Mr. STEWART: With reference to what Mr. Wright was saying, the capital stock of Eldorado is roughly \$6½ million and they have an unappropriated surplus of \$7,346,000. I should like to ask the parliamentary assistant to the Minister of Finance this question. When would he think it appropriate that the minister step in and take that surplus?

Mr. SINCLAIR: In view of the comments of the leader of the opposition the other night, about parliamentary assistants giving undertakings on behalf of the government, I certainly would not answer that. The Minister of Finance himself would be the one to answer it.

Mr. STEWART: I have never seen the parliamentary assistant so humble. As Mr. Wright says, this is a large unappropriated surplus in view of the capital stock, and while I do not altogether agree with my colleague, I think there is much virtue in the principle being established that parliament should have some control over the capital expenditures. This is a large sum.

The CHAIRMAN: We will have ample opportunity, when the Consolidated Revenue Act comes before the House, to make a thorough study of the provisions and to decide whether amendments should be introduced.

Mr. FLEMING: I asked for a statement, Mr. Sellar.

The CHAIRMAN: Mr. Sellar is thinking about it. In the meantime I will give Mr. Wright the floor.

Mr. WRIGHT: It is my understanding that in certain provinces where there are numbers of Crown corporations, those corporations must turn their over-all surpluses into the Consolidated Revenue Fund and they must get a grant from the legislature for any capital expansion. Those provinces think it is the only way in which the legislature can have reasonable control over the expansion of those corporations. I am inclined to agree with that principle.

The CHAIRMAN: I think that the opinions which have been expressed this morning will be of use to those who are still reviewing the Consolidated Revenue Act. I think the time for comment on them will be when the Consolidated Revenue Act comes before the House. We will then have an opportunity to comment on or amend it.

The WITNESS: With regard to the statement Mr. Fleming has asked for, it will present problems because no two companies are exactly the same. Furthermore, some companies have shares, others have not; and then there are industrial companies which have incomes. The Federal District Commission, for example, is a corporation but it has no income. You are not really interested in it. If you wanted something on the commercial companies which have share capital we could make an attempt to put something together.

By Mr. Fleming:

Q. It was the commercial corporations I had in mind.—A. Of course you have to bear in mind that I can only deal with those which I audit.

Q. The statement would not include the C.N.R. or T.C.A.?—A. Or the Farm Loan Board, Central Mortgage and Housing Corporation, the Wheat Board, and so on.

Q. May I ask then that a statement be prepared along those lines?—A. We will try.

The CHAIRMAN: I think we have somewhat extended the scope of the two items on Eldorado but it may be useful for those who are preparing the Consolidated Revenue Act to have available the opinions of some of the members.

However, let us go on to Export Credits Insurance Corporation, items 101 and 102.

By Mr. Fraser:

Q. In 102 it says: "The \$495,918 excess of payments over recoveries, however, includes approximately \$300,000 which is 'blocked' through exchange restrictions of the countries concerned".

How is that handled? That \$300,000 would have to be paid out to the exporters would it not?

A. The \$300,000 is in South American currency, mainly Argentinian and Brazilian. When we take care of the insured person, compensating him, he turns over all his collateral, or at least all that he had with respect to that claim. Therefore, the Export Credits Insurance Corporation holds those moneys in banks in South America.

Q. In South America?—A. Yes, sir.

Q. And they are not allowed to take it out?—A. No, sir.

Q. You are not allowed to take currency out of Argentina. When I was down there last you were not allowed to take out any gold, silver, or anything else. I believe they even searched you. If that is still in force how does the government expect to get this \$300,000 out, or will they use it down there for other purposes—in buying things, for instance?—A. I cannot answer that. The Department of Finance might, but I cannot. All I know is that the amount is standing there.

Q. It is in Argentina and where?—A. Brazil—a small amount in Brazil.

The CHAIRMAN: Perhaps Mr. Bryce might comment?

Mr. BRYCE: I can only make one general comment. Frequently it is mainly a question of waiting in order to get the funds. Those are really commercial remittances. They are payments for exports. Frequently, all that is involved is waiting until you can get the funds released. It may be a year, or more than that, or less than that, before these blocked accounts can be paid in foreign exchange. In many cases the funds are not tied up indefinitely but there is delay in getting them released. The Export Credits Insurance Corporation will take those funds off the hands of those who have insured themselves and will hold them until the funds can be released.

Mr. FRASER: Then Brazil or Argentina would have to have a counter account against Canada?

Mr. BRYCE: The arrangements are so varied and so specialized in different cases that I would hesitate to generalize about that, but I do know in certain cases that these commercial accounts have been paid or released eventually. It has been a question of waiting in many cases rather than a question of losing the funds or having to find some alternative investment down there. The arrangements vary.

Mr. FRASER: The account being governmental rather than individual, there is a better chance of getting the funds?

Mr. BRYCE: I would not like to say that is generally the case.

Mr. FLEMING: The point that the Auditor General is making is that these blocked accounts are not to be written off as losses, but that they should be carried as a reserve or be carried as assets subject to suitable reserve. Has there been any change since this observation was written by Mr. Sellar?

The WITNESS: Yes. We have recently come to an agreement on the form the statements will take next year—not the current year, but next year. We are both satisfied.

Mr. STEWART: I am not talking about blocked currency but of the amount written off as losses and the steps taken to recover those. Let us take 1946. Assuming that \$11,000 was lost, is the corporation still trying to recover that loss or has it written it off as irrecoverable?

The WITNESS: If there are any assets the corporation is still trying to recover; otherwise the position is the same as for any insurance company that pays a claim and has to write it off as a loss.

The CHAIRMAN: Are there any further questions on Export Credits Insurance Corporation?

Carried.

We will go on to items 103 and 104.

Mr. STEWART: In connection with item 104 the Auditor General says: "A consequence is that the Commission is not in position to accumulate a fund to repave roads, etc." I think we know that, but is there anything that can be done to encourage them to repave some of those roads?

Mr. CROLL: The alternative is given at the end. The last sentence is your answer.

Mr. FLEMING: Probably a fair question is what has been done as a result of the recommendation?

The WITNESS: The Federal District Commission is very anxious to have something done in this regard, but it is a matter of legislation and public policy. They are carrying on as they have in the past. During the war years when they could not spend money in keeping things up, they accumulated a little reserve. They still have about \$20,000 of C.N.R. bonds and that is how they are carrying their excess, currently. From the long range viewpoint some means should be devised whereby they can accumulate each year so much for the renewal of roads and other assets. As Mr. Croll says, the alternative is to wait until the job has to be done and come to parliament asking for a special vote in that year.

Mr. FLEMING: Nothing has been done since you made the recommendation.

The WITNESS: No, sir.

Mr. FRASER: You would not think they would have to wait for jobs to be done? There are a lot of jobs to be done right here.

The CHAIRMAN: Ask a question in the House from the responsible minister.

Mr. CROLL: Mr. McIlraith will give you the answer to that.

The CHAIRMAN: Is item 105 carried?

Carried.

Item 106, National Harbours Board.

Mr. FLEMING: Last year we made a more extensive review of the operations of the various harbour commissions entering into the accounts of the National Harbours Board. Can the Auditor General say whether there has been, since we were over this subject a year ago, any particular change in the method of setting up the statements and the financial basis of the operations of the various boards?

The WITNESS: Well, sir, there has been no change in the general practice. The National Harbours Board is still operating as in the past. However, when you use the words "financial statements," the financial statement which we expect to certify within a few days for the last calendar year will be in a different form than the previous one. In the past we produced a financial statement for each harbour. This year we are trying to give one statement that covers all, showing the activities of each, so that you will have a comparison of

assets, expenditures, and liabilities. We think it will be simpler, although basically there is no change.

Mr. BENIDICKSON: I have forgotten, but did this committee last year in its sittings make any recommendation with respect to the accounting practices of the National Harbours Board?

Mr. FLEMING: No, but we made a much more extensive study than we are now doing of the operations and statements of the National Harbours Board.

Mr. BENIDICKSON: But the committee made no recommendations for change of form?

The CHAIRMAN: No; are there any further questions on National Harbours Board?

We now come to Northwest Territories Power Commission, items 112 and 113.

By Mr. Fraser:

Q. Do you feel, Mr. Sellar, on account of the statement you made here, that depreciation should be set up in these accounts?—A. They are proceeding to do so, sir.

Q. Well, I think it would be wise.—A. They first started on the principle that the amortization of their debt over twenty years was the equivalent of depreciation but we pointed out to them that they could be paying back the Minister of Finance and needing, at the same time, money to maintain their plant; they are now changing their practice in that regard, at least, they have told us they are doing that.

The CHAIRMAN: Are we through with items 112 and 113?

Carried.

Park Steamship Company Limited, item No. 114.

Mr. STEWART: "With the exception of seven ships on loan to the United Kingdom Ministry of Supply, all vessels formerly controlled by this company have been declared surplus and sold." Would Mr. Sellar tell us what was the profit or loss on the sale of these ships?

The CHAIRMAN: Last year, we had before us the chairman of this board who gave us quite an extensive report which can be found in the minutes of evidence of last year.

Mr. STEWART: Has there been any difference in the number of ships sold as of last year and this year?

The CHAIRMAN: Have there been any further ships sold this year?

The WITNESS: Certain ships were on charter and I think they are gradually being surrendered—I am not sure if they have all been surrendered—and the collection of the moneys is being handled by the Crown Assets Disposal Corporation. You will see in their report that they point out they were having some trouble making collections but with the assistance of the Canadian Maritime Commission the accounts are now in good condition. All I know is that the charters have worked out very profitably to the Park Steamship Company and we are getting a much better return on our ships following world war II than we got following world war I.

The CHAIRMAN: The detail as to the sale of each ship can be found in the minutes of our proceedings of last year.

Mr. FLEMING: What has been done since the 31st of March 1950? Has the company been wound up?

The WITNESS: I signed a letter this morning to the Under Secretary of State for the surrender of the charter.

Carried.

The CHAIRMAN: Now, we come to the Polymer Corporation Limited, items 115 and 116.

By Mr. Wright:

Q. Item 116 reads:

The original construction work was financed out of Consolidated Revenue Fund, but some subsequent capital work was paid for out of the earnings of the Corporation.

What amount of earnings were used for this subsequent capital work? And secondly, it states that in determining their depreciation and obsolescence the company found that formerly they were using an amount which was not a sufficient one and that this year the management increased the amount to \$3,606,975. What was the amount of obsolescence and depreciation last year? What increase does this amount represent?—A. In reply to your first question, \$11,700,000 of the company's earnings have gone into new plant and additions, essentially, the investment is in connection with machinery and equipment. Up to the past year, in round figures, \$2,400,000 annually was the reserve for depreciation. This year it was increased to \$3,600,000, an increase of \$1,200,000. It arose in this way: we all thought after the war that building costs would go down and this plant had been built in a rush at high prices. Therefore it was decided that it was not prudent to assume that we had \$50 million invested in the project, and a lesser figure was taken. Prices however have not gone down. Last year when the Income Tax department notified tax payers that they could claim in various ways for depreciation, we and Polymer agreed a fresh look should be given to Polymer's condition and try to make a very careful study. I am thoroughly in agreement with the addition of that amount this year.

By Mr. Fraser:

Q. Does the net profit of \$843,659 represent profit after depreciation has been taken care of?—A. Yes, sir.

Q. Has any capital been returned to the Consolidated Revenue Account?—A. No, sir. Take for example, the expenditure for heating such as was made on that plant when it was built. Heating is a very important factor in synthetic rubber manufacture. They had to pick up boilers and everything else wherever we could get them. They have installed an entirely new heating system since the war and I think they recovered the capital investment within a few years in fuel savings.

By Mr. Fleming:

Q. Just a question on the second sentence of item 116. I take it that Mr. Sellar does not review a decision on the part of the company as to the amount to be set up for obsolescence?—A. We would, sir, if we thought it unreasonable.

Q. Well, then, can you make a comment as to the reasonableness of this last increase?—A. As to that \$1,200,000 increase, I suggested to them that they should study the position and they told me they were already studying it. They asked me to send men down to Sarnia to go over the figures with their men. I did and they came back and reported they were in agreement that \$1,200,000 was a reasonable figure for that year.

Q. So you have reviewed the annual provision made for obsolescence?—A. Yes, but they were going to formulate a long range policy after that. We have notice that their accounts are going to be ready for audit in the third week of April. We will be going in then. I have no men there at the present time.

Carried.

The CHAIRMAN: Yukon Territorial Government, items 117, 118 and 119.

By Mr. Fraser:

Q. Has Mr. Sellar any comments to make on this?—A. The only thing, sir, that may interest you as citizens of this country is in paragraph 18, where they deal with profits from the sale of alcoholic beverages amounting to \$557,000. The agreement with Canada provides that up to \$185,000 of these profits may be used for territorial administration, et cetera, and the balance is to be placed to the credit of a special account for the construction of roads and bridges and other projects to develop the natural resources of the territory.

Now, it happened that the profits from liquor have been year by year larger than were expected—

Q. More water in the stock.—A.—the result is they have more money on hand than they need to spend on roads and bridges. They would like to spend more money on education and they have informally suggested that the agreement be revised to permit a greater amount to be spent on education.

By Mr. Croll:

Q. The agreement with whom?—A. The agreement with the government of Canada.

Q. When and what representations have been made? You should have told us that two days ago and we could have raised the question on the floor of the House when the Yukon Act was under discussion.

Mr. SINCLAIR: Third reading is still coming up.

Mr. CROLL: It would be unfair to the minister to hold him up on the third reading.

The WITNESS: It is just a little thing; there are now more children and they would like to spend a little more money. I think it is within the powers of the Governor in Council to permit this, and it would not surprise me if they have already consulted the Minister of Finance on the subject.

Mr. FLEMING: You do not know if anything has been done yet?

The WITNESS: I know the people of the Yukon were in seeing me late last fall on the subject and I told them to call on the Minister of Finance because I thought that he would be sympathetic.

By Mr. Wright:

Q. When you refer to the people from the Yukon you are referring to the commission?—A. Yes, sir, that is, the commission.

Mr. FRASER: They are all here in Ottawa anyhow.

Mr. CROLL: Three will be elected from the territories now under the new provision.

Mr. FRASER: Yes, but up to the present time they are all in Ottawa.

The CHAIRMAN: Are there any further questions relating to the Yukon territory? I think, we are finished with our review of item 119.

Mr. FLEMING: Yes, Mr. Chairman; there is just the appendix left.

The CHAIRMAN: Yes, we are now on the appendix.

Mr. FLEMING: There is one question on this item of the refunds and the remission. Does the Auditor General make a review of particular cases or does he simply make a report, just to report the fact?

The WITNESS: The discretion is broad, "the Governor in Council whenever he deems it right and conducive to the public good, may remit any duty or toll payable to His Majesty—" therefore, there that is a statutory discretion which we do not try to go behind.

Mr. CROLL: And one which he does not exercise very easily either.

The WITNESS: Yes, but the department encourages us to check the figures.

Mr. FLEMING: You check the figures in these cases?

The WITNESS: Yes. Sometimes you have to calculate from the various documents what the real amount involved is; before it goes before the Treasury Board the Department of National Revenue may ask us to check their figures and make certain.

By Mr. Fleming:

Q. And the figures you are reporting here are the figures you have checked and verified as the correct related amounts involved before the remission or refund is made?—A. In most cases the duty is paid and this represents the remission or refund.

Q. That is what I mean, do you check those?—A. We don't check them all, only in unusual cases.

The CHAIRMAN: Are the members of the committee satisfied that we have dealt with the report of the Auditor General except for some incidental items? There are two or three cases in which members have asked that an item stand. As I recall most of them dealt with matters relating to the Consolidated Revenue and Audit Act. Then, I think we may take it that our work on the Auditor General's report is concluded. Unless there are some questions which members of the committee would like to ask him now, all of the matters outstanding relate to the revision of the Consolidated Revenue and Audit Act. That Act will be dealt with in the House and I suggest that such questions should be asked when the bill is before the House for consideration in committee. For instance, there was item 15, which Mr. Macdonnell asked be allowed to stand. It deals more or less with matters relating to the revised Act, and I think the other two clauses which were asked to stand also relate to that Act; one of them, as I recall it, deals with the payment of subsidies and the use of Governor General's warrants. I think there will be ample time and opportunity to discuss such matters when the revised Consolidated Revenue Act comes before the House.

Mr. FLEMING: Could we have any indication, Mr. Chairman, of when the bill will be brought down in the House?

The CHAIRMAN: My impression is that the new Act will be before the House before we finish the work of this committee, and, as I say, when the bill is before the House we will have an opportunity of discussing it. I suggest, gentlemen, that this particular part of our work is completed—I mean so far as the Auditor General's report is concerned—and we can release the witness, but before that is done I wish to be sure whether any member wishes to ask further questions of the Auditor General before he goes. There may have been something we have overlooked.

Mr. CROLL: There is just one question I wanted to ask. Have you any information as to whether or not this committee will have an opportunity to deal with the Consolidated Revenue and Audit Act as a committee; to go into the draft bill in detail?

The CHAIRMAN: That has not been indicated to us yet. The bill is not ready to be brought down in the House. However, I do think it is the intention of the government to refer it to a particular committee, but whether it will be this one or another there has been no indication.

Mr. SINCLAIR: I might say, Mr. Chairman, that a number of technical recommendations were made by this committee last year and they have been considered in preparing the new legislation. I might say that it was the inten-

tion to refer the bill to this committee but this committee has indicated its desire to give considerable study to the Department of National Defence. I think then I might say it will be referred to this committee or some committee. As I see it, this committee certainly should have an opportunity of reviewing this very difficult legislation. As a committee it is directly concerned with revenue and audit, and as a committee it has made some proposals both new and certainly valuable. Mr. Sellar or Mr. Bryce may know something about it.

The CHAIRMAN: That all depends on the members, as to whether or not we devote our time to the matter of National Defence and other matters in the public accounts.

There is a lot of material which members want to have come before the committee. It will be up to us, I suggest, to suspend other work we may have to give a certain number of meetings to a consideration of the revision of the Consolidated Revenue and Audit Act, providing it is referred to us.

Mr. CROLL: It would appear to me that members would get very little information on the Act if it was dealt with entirely in the House. Let us clear this point up. It is a technical Act and it is difficult to grasp the details of it. There is no doubt that many of the members in the House would have difficulty in understanding much of the material involved, except for those who have been in attendance at this committee. As a committee we have dealt with these matters during the last two or three years and the House might benefit as the result of our study of the new Act as a committee. I can see great advantage in having us as a committee deal with it, and I think that as a committee we might indicate that in our opinion it is a matter for this committee to deal with.

Mr. FLEMING: I would like to support very strongly what Mr. Croll has said. This is the most important Act, I think, of all on our statute books, and it has not been revised or amended, I believe, for at least a generation.

Mr. SINCLAIR: Only twice since confederation.

Mr. FLEMING: And, we as a committee have observed, I suppose, scores of places, in particular last year, where there were gaps and weaknesses in the present Act in the way of meeting modern conditions; and we have had a number of occasions in the House in recent years where technical Acts, such as this new Income Tax Act, were referred to committee for review. Now, I should think that this committee, in the light of its experience of the last two years, should be able to contribute a good deal to a review of the Act; and, as Mr. Croll said, an Act so important would not get in the House the detailed consideration it should have. It is going to be a very important study, and it may be that a committee with the information this one has available to it might not have to spend a lot of time on the bill; and in any event, a review by this committee might be of great advantage in a consideration of the bill.

The CHAIRMAN: I am ready to report to the Minister of Finance accordingly, and I am sure that the parliamentary assistant will also see that he is informed as to the views of the committee.

Mr. WRIGHT: Has the parliamentary assistant (Mr. Sinclair) any idea as to when this bill might be ready to come before the committee? With the work the committee has it in mind to do in connection with the Department of National Defence it occurs to me that the government might not be prepared to submit the bill to the committee.

Mr. SINCLAIR: Mr. Bryce could give you a better target date than I could.

Mr. BRYCE: I think it depends entirely on when the minister gets sufficient time to deal with it. As you may imagine, he is busy with the budget at the present time, but as soon as that is out of the way I understand from him that he intends to devote a good deal of time to getting the Act finished.

Mr. CROLL: It is ready in some form now?

Mr. BRYCE: Oh, yes.

Mr. CROLL: Of course.

Mr. WRIGHT: We can't get it in advance.

Mr. CROLL: I realize that it will come down in final form. Then, of course, we want to make sure that we will have an opportunity of dealing with it at this session. Will the minister start at it, as soon as the budget comes down Tuesday? Would it be ready by the end of the month?

Mr. BRYCE: That is pretty hard to say. It is a question of the minister's time and Mr. Sinclair's time, rather than that of the officials. As far as the officials are concerned, yes; it is really more a matter of convenience for the minister and Mr. Sinclair.

Mr. CROLL: Well, the budget will be down on Tuesday night. I was wondering if the bill would be ready in say two or three weeks time after that. If we are not going to have time to deal with it we might as well leave it to be dealt with before the House.

Mr. SINCLAIR: The minister has spoken about having it referred to a committee. Ordinarily I understand it would go before the Committee on Banking and Commerce, but if it went to the Banking and Commerce Committee that committee would actually have to go over everything which was done in this committee last year. There has also been some comment that if it were dealt with entirely in the House of Commons then it would have to go over all these things, and except for a few members who are very keen about it most of the members would not know much about it and we would have to have all these explanations given over again. I think actually it would save a good deal of effort if it were referred to this committee. As Mr. Fleming says, it is the key Act of the government of Canada, everything connected with it depends on the Revenue and Audit Act. Whether this committee would want to break away from its examination of the operations of the Department of National Defence for consideration of it is something, of course, for this committee itself to decide.

Mr. CROLL: I think the bill should come before this committee.

Mr. WRIGHT: Yes, I think it should come before this committee. We should have some indication as to the amount of time we want to spend on defence department items which are to come before the committee. If it is to come before the committee we will need to spend all of our time from now to the end of the session on the revised Consolidated Revenue and Audit Act.

Mr. CROLL: At the present time as a committee we are finished with the Auditor General's report. We are going to start on defence. We could have perhaps a dozen meetings before the end of the month on defence, that would leave us ample opportunity to deal with the new bill if it is referred to us. Could we fix a date, let us say about the first of May?

The CHAIRMAN: We do not need to do so yet. When it comes before the House, if it is referred to us we will manage alright.

Mr. WRIGHT: I would be satisfied with that.

Mr. CROLL: Yes.

The CHAIRMAN: Members of the committee will recall that last year we made a suggestion in our report for the writing off of uncollectable accounts. I spoke further with the minister on that and he suggested that if we were to deal with that we might want a subcommittee of this committee to look into the matter. The reason for the suggestion that the matter be dealt with by a subcommittee is that this matter of writing off uncollectable debts involves the principle of public trust in certain cases; it might cause embarrassment, not to the government

but to individuals. For that reason it might be desirable to have the matter dealt with by a subcommittee of this committee rather than before the whole committee.

Mr. FLEMING: In connection with this matter of releasing Mr. Sellar as a witness, Mr. Chairman, you recall that I had asked for certain statements which he was going to prepare for me. I was wondering if there were any others?

The CHAIRMAN: No, that is the only one. Do you feel that the witness should remain at our disposal?

Mr. CROLL: No, let us put the statement on the record.

The CHAIRMAN: We will have it put on the record as part of the day's proceedings when we receive it. Would that be satisfactory?

Mr. FLEMING: Yes. I suppose we could have Mr. Sellar back for half an hour any time we needed him?

The CHAIRMAN: Yes. Do you feel that we should make our report to the House before we have the report in on the inventories, or do you think we should go ahead?

Mr. FLEMING: I think we should have that in the report. It will be ready within a couple of weeks, I understand.

The CHAIRMAN: All right.

Mr. FLEMING: On this question, I do not know whether we should first deal with this matter with reference to the bill coming before this committee. I feel that we should at least make a recommendation that such a course be taken. If the bill is referred to the committee of the whole it is going to take a lot of time. Then, we have this matter of National Defence expenditures. That is going to take a lot of time too; but, as Mr. Croll has said, we can devote our time to that during the next couple of weeks. I do feel, however, that it is a very important matter, and that the bill should come before this committee for study; it is a bill which is vastly important.

Mr. SINCLAIR: Could I indicate to the minister that if the matter is referred to this committee, that the committee will give precedence to it over whatever business we may have?

Mr. CROLL: I do not think that should be done at this stage, in fairness to the people who have been pressing for National Defence.

Mr. WRIGHT: I see no objection to it now, but I would like to see it left over to the next meeting of the committee.

The CHAIRMAN: We could express to the minister the willingness of this committee to deal with this matter and we can try to work out our arrangement for sittings on this problem and other matters accordingly. But, as Mr. Fleming suggests, since much of that work has already been done by us, we might indicate that we would be willing to take on that task, and then fit it into our scheme of meetings. The Act is not yet before the House so we can start on some other kind of work and then switch back to this.

Mr. WRIGHT: I do not think we should notify the minister today. It is not that important. I think we should leave it to the next meeting.

The CHAIRMAN: Before we adjourn, I would like to express the thanks of the committee to the Auditor General and to the Assistant Deputy Minister of Finance for the help which they have given us in our study of the report of the Auditor General. The meeting now stands adjourned to the call of the chair.

The meeting adjourned.

APPENDIX "A"

CANADIAN ARSENALS LIMITED

STATEMENT OF SOURCES AND APPLICATION OF FUNDS FOR THE FOUR YEARS ENDED MARCH 31, 1950

	Fiscal Year ended March 31st			
	1947	1948	1949	1950
	\$	\$	\$	\$
<i>Sources of Funds</i>				
Earnings for the year, from manufacturing and other activities.....	2,199,960	1,615,702	1,753,334	4,320,254
Additional earnings of prior years.....			19,472	92,790
Materials inherited through the Department of Munitions and Supply, used in and charged to operations during the year....		925,101	909,560	5,192,252
Received from Government appropriations..	3,757,792	2,000,000	2,900,000	3,275,000
Decrease in working capital.....			409,047	
Total	<u>5,957,752</u>	<u>4,540,803</u>	<u>5,991,413</u>	<u>12,880,296</u>
<i>Application of Funds</i>				
Additions to fixed assets.....			123,340	914,727
Increases in working capital.....	2,373,976	270,315		4,687,922
Costs of maintaining arsenals in stand-by condition	3,583,776	4,270,488	5,137,379	6,966,268
Fire loss			285,269	
Government advances reduced or repaid....			445,425	311,379
Total	<u>5,957,752</u>	<u>4,540,803</u>	<u>5,991,413</u>	<u>12,880,296</u>

CANADIAN SUGAR STABILIZATION CORPORATION LIMITED

(Successor to The Sugar Administrator as from March 14, 1947)

STATEMENT OF SOURCES AND APPLICATION OF FUNDS FOR THE FIVE YEARS ENDED AUGUST 31, 1950

	Fiscal Year ended August 31st			
	1946	1947	1948	1949
	\$	\$	\$	\$
<i>Sources of Funds</i>				
Earnings for the year	287,951	298,591		1,218,499
Additional earnings of prior years	150,204			
Capital stock subscription		75		
Decreases in working capital			2,814,628	17,281,501
Total	<u>438,155</u>	<u>298,666</u>	<u>2,814,628</u>	<u>18,500,000</u>
<i>Application of Funds</i>				
Increases in working capital....	438,155	298,666		303,228
Operating loss for the year....			2,814,628	
Earnings remitted to the Receiver General				18,500,000
Total	<u>438,155</u>	<u>298,666</u>	<u>2,814,628</u>	<u>18,500,000</u>

ELDORADO MINING AND REFINING (1944) LIMITED

STATEMENT OF SOURCES AND APPLICATION OF FUNDS
FOR THE FIVE YEARS ENDED DECEMBER 31, 1950

	Fiscal Year ended December 31st				
	1946	1947	1948	1949	1950
	\$	\$	\$	\$	\$
<i>Sources of Funds</i>					
Earnings for the year.....	195,548	1,416,488	1,335,400	2,395,484	1,412,410
Less: Adjustments applicable to prior years' operations..			292,490	296,534	103,658
			1,042,910	2,098,950	1,308,752
Charges, against income, not involving cash outlays (including depreciation and other provisions)	399,663	473,430	2,140,316	3,402,530	2,560,002
Government Advances (including capital stock subscriptions)	2,116,049	1,859,015			
Total	2,711,260	3,748,933	3,183,226	5,501,480	3,868,754
<i>Application of Funds</i>					
Additions to fixed assets.....	449,790	304,333	232,410	824,804	541,586
Increases in working capital...	1,867,000	2,751,621	2,482,116	3,480,783	2,017,429
Expenditures for exploration..	394,470	692,979	468,700	195,893	252,239
Government advances reduced by repayment of capital stock subscriptions				1,000,000	
Earnings remitted to the Receiver General					1,057,500
Total	2,711,260	3,748,933	3,183,226	5,501,480	3,868,754

NORTHERN TRANSPORTATION COMPANY (1947) LIMITED

STATEMENT OF SOURCES AND APPLICATION OF FUNDS
FOR THE FIVE YEARS ENDED DECEMBER 31, 1950

	Fiscal Year ended December 31st				
	1946	1947	1948	1949	1950
	\$	\$	\$	\$	\$
<i>Sources of Funds</i>					
Earnings for the year.....	378,086	460,264	1,024,136	249,055	425,765
Less: Adjustments applicable to prior years' operations..		4,358	2,891	69,025	14,425
		455,906	1,021,245	180,030	411,340
Charges, against income not involving cash outlays (including depreciation and other provisions)	220,878	322,937	452,613	521,514	530,081
Decreases in working capital...			624,697		316,045
Government Advances—received through Eldorado Mining and Refining (1944) Limited	1,859,015			377,962	
Total	2,457,979	778,843	2,098,555	1,079,506	1,257,466
<i>Application of Funds</i>					
Additions to fixed assets.....	985,146	383,108	961,578	121,830	157,466
Increases in working capital....	1,472,833	395,735		957,676	
Government advances reduced or repaid to Eldorado Mining and Refining (1944) Limited.			1,136,977		1,100,000
Total	2,457,979	778,843	2,098,555	1,079,506	1,257,466

NORTHWEST TERRITORIES POWER COMMISSION

STATEMENT OF SOURCES AND APPLICATION OF FUNDS
FROM INCEPTION TO MARCH 31, 1950

	Fiscal Year ended March 31st	
	1949 \$	1950 \$
<i>Sources of Funds</i>		
Earnings for the year.....	63,681	50,762
Decrease in working capital.....		150,548
Government loans	4,615,000	
Total	4,678,681	201,310
<i>Application of Funds</i>		
Additions to fixed assets.....	4,485,295	156,310
Increase in working capital	193,386	
Repayment of Government loans		45,000
Total	4,678,681	201,310

PARK STEAMSHIP COMPANY LIMITED

STATEMENT OF SOURCES AND APPLICATION OF FUNDS
FOR THE FIVE YEARS ENDED MARCH 31, 1950

	Fiscal Year ended March 31st				
	1946 \$	1947 \$	1948 \$	1949 \$	1950 \$
<i>Sources of Funds</i>					
Earnings for the year	50,238,813	28,915,877	3,227,890	3,543,925	2,973,838
Additional earnings of prior years					150,652
Reductions in:					
Fixed assets		119,928,515	19,116,459		
<i>Application of Funds</i>					
Increase in working capital ...		15,507,191			
Working capital	1,723,960		405,918	1,463,101	200,509
Government advances reduced or repaid	21,385	119,921,955	19,101,634		
Earnings remitted to the Re- ceiver General	51,941,388	13,415,246	3,648,633	5,007,026	3,324,999
Total	51,962,773	148,844,392	22,750,267	5,007,026	3,324,999

POLYMER CORPORATION LIMITED

STATEMENT OF SOURCES AND APPLICATION OF FUNDS
FOR THE FIVE YEARS ENDED MARCH 31, 1950

	Fiscal Year ended March 31st				
	1946 \$	1947 \$	1948 \$	1949 \$	1950 \$
<i>Sources of Funds</i>					
Earnings for the year	2,594,149	1,082,931	25,623	403,543	843,660
Charges, against income, not involving cash outlays (includ- ing depreciation and other provisions)	7,436,414	4,728,297	2,109,806	2,102,929	3,217,603
Government Advances		4,123,409			
Total	10,030,563	9,934,637	2,135,429	2,506,472	4,061,263
<i>Application of Funds</i>					
Additions to fixed assets.....	788,911	321,494	2,095,993	817,425	1,737,798
Increases in working capital...	3,601,938	5,807,499	39,436	1,689,047	2,323,465
Government advances reduced or repaid	5,639,714				
Earnings remitted to Receiver General		3,805,644			
Total	10,030,563	9,934,637	2,135,429	2,506,472	4,061,263

SESSION 1951

HOUSE OF COMMONS

Government
Publications

STANDING COMMITTEE

ON

PUBLIC ACCOUNTS

CHAIRMAN—Mr. L. PHILIPPE PICARD

MINUTES OF PROCEEDINGS AND EVIDENCE

No. 6

TUESDAY, APRIL 17, 1951

WITNESS:

Mr. C. M. Drury, C.B.E., D.S.O., E.D., Deputy Minister of National
Defence.

OTTAWA
EDMOND CLOUTIER, C.M.G., O.A., D.S.P.
PRINTER TO THE KING'S MOST EXCELLENT MAJESTY
CONTROLLER OF STATIONERY
1951

ORDERS OF REFERENCE

TUESDAY, April 10, 1951.

Ordered,—That the name of Mr. Harkness be substituted for that of Mr. Macdonnell (*Greenwood*) on the said Committee.

TUESDAY, April 17, 1951.

Ordered,—That the name of Mr. Pearkes be substituted for that of Mr. Homuth; and

That the name of Mr. Decore be substituted for that of Mr. Welbourn on the said Committee.

Attest.

LEON J. RAYMOND,
Clerk of the House.

MINUTES OF PROCEEDINGS

HOUSE OF COMMONS, Room 430.

TUESDAY, April 17, 1951.

The Standing Committee on Public Accounts met this day at 11.00 o'clock a.m. The vice-chairman, Mr. David A. Croll, presided.

Members present: Messrs. Beyerstein, Boisvert, Brisson, Campney, Cauchon, Cloutier, Croll, Cruickshank, Fleming, Gauthier (*Portneuf*), Larson, Major, Nowlan, Richard (*Ottawa East*), Robinson, Sinclair, Stewart (*Winnipeg North*), Thatcher, Wright.

In attendance: Mr. C. M. Drury, C.B.E., D.S.O., E.D., deputy minister of National Defence.

The vice-chairman informed the members that Mr. Watson Sellar had, as requested, placed before the committee some figures with respect to Canadian Arsenals and other crown companies and that such information now appears as Appendix "A" to the committee's printed Minutes of Proceedings and Evidence of Wednesday, April 4, 1951 (pages 145, 146 and 147, Vol. 5).

The vice-chairman also reported that the steering subcommittee had met and had agreed that the chairman communicate with the deputy minister of National Defence with a view to having the latter appear before the committee and present a statement relating to the administrative functions of the Department of National Defence.

Mr. Drury was then called. The witness read a statement outlining the control exercised on expenditure by the Department of National Defence and he was questioned at length thereon.

In the course of his examination, Mr. Drury filed certain documents relating to authority granted officials and officers to make local purchases direct from the trade. These documents were ordered to be printed as Appendix "A" to today's minutes of evidence.

The witness was further directed to prepare and submit other detailed statements respecting (a) equipment and property which was declared surplus and sold as such and later reacquired by the government up to March 31, 1950; (b) civilian and military personnel of the department; (c) casual labour employed by the department, and (d) expenditures in connection with recruiting campaigns. Mr. Drury indicated he would undertake to supply such information at the earliest possible date.

At 12.55 o'clock p.m., the committee adjourned to the call of the chair.

ANTOINE CHASSÉ,
Clerk of the Committee.

MINUTES OF EVIDENCE

HOUSE OF COMMONS,
APRIL 17, 1951.

The Standing Committee on Public Accounts met this day at 11.00 a.m. The vice-chairman, Mr. David A. Croll, presided.

The VICE-CHAIRMAN: Gentlemen, we have a quorum.

May I first call to your attention, for a moment, volume 5 of the proceedings of the Public Accounts Committee. Mr. Sellar was asked to place before the committee some figures with respect to Canadian Arsenals and other companies. That information is now part of the committee report and if honourable gentlemen wish to refer to it it is available for them.

The steering committee met last week and agreed that the chairman should communicate with the deputy minister of National Defence, Mr. Drury, and arrange for a proper statement relating to the administrative functions of the department to be presented to the committee. Mr. Drury is here now with a statement. May I suggest that Mr. Drury read his statement and that we question him after he is finished. The statement is only about 8 pages long and will last perhaps half an hour. He has broken it down into categories so as to make it easy for you to follow for questioning purposes. Copies are available for all members and you may follow it as he reads.

Mr. C. M. Drury, Deputy Minister of National Defence, called:

The WITNESS:

Control of National Defence Expenditure

I understand that it would be helpful to the Public Accounts Committee to have an outline of the control exercised on expenditure by the Department of National Defence.

The estimates, as tabled in parliament, have been subject to considerable review from stage to stage in their preparation. As is usual, the overall program of which the estimates represent the anticipated cost, is the sum total of the needs of the various components of the department to implement the defence program. Each of the armed services is responsible for putting forward its requirements to meet the program and at each stage of consolidation these are reviewed with a view to eliminating duplications and unnecessary expenditure. Finally, each Chief of Staff having proposed a costed program for his service, a consolidation of these service programs is reviewed by the Chiefs of Staff Committee, administrative officers of the department and officials of the Treasury with a view again to checking the validity of estimates of cost and ensuring that there has been no duplication of effort nor unnecessary expenditure. The costed program is then examined by Cabinet Defence Committee and cabinet and subject to any changes approved for inclusion in the printed estimates.

After parliamentary passage of the Appropriation Act various methods of control of expenditure come into operation depending on the type of expenditure. The detailed classification of the defence appropriation is subject to approval by Treasury Board and also the manner of accounting for moneys.

Expenditures can be grouped generally into the following classifications:

- (a) Those for which a general authority has been given by regulations approved by the Governor in Council such as service and civilian pay and allowances, travelling expenses, etc.
- (b) Service equipment, stores and supplies, including food, clothing, fuel for heating purposes and operation of equipment, barrack stores and maintenance of equipment and property.
- (c) Acquisition and construction of buildings and works.
- (d) Acquisition and construction of airfields.
- (e) Printing and stationery.
- (f) Recurring routine charges such as water service, light, and power, rentals, etc.
- (g) Items other than those covered above such as special training courses, recruiting expenses, damage claims, etc., which are covered by specific authority either by parliament, the Governor in Council or the Treasury Board.

Procedure

The procedure followed by the Department of National Defence which gives rise to an ultimate expenditure of the appropriation made by parliament varies somewhat as between each of the above classifications.

Procurement of all equipment, stores and supplies required by the department as outlined in paragraph (b) above is now carried out by the Minister of Defence Production upon request of the Minister of National Defence as provided in the Department of Defence Production Act. I am now speaking of the present. The Defence Production Act, as members of the committee will recall, was enacted as from the 1st of April. Before, a slightly different procedure was followed. Prior to April 1 this year this same function was performed by the Minister of Trade and Commerce under the Defence Supplies Act using the Canadian Commercial Corporation as his instrumentality. While during the period under review by the committee the buying agency was the Canadian Commercial Corporation, for purposes of convenience, with the committee's permission, I will refer to the Minister and Department of Defence Production, as from our point of view the procedure is the same, if that is permissible, Mr. Chairman?

Pay and Allowances

Payment of service pay and allowances is made by the pay organization within each service. Ranks and trades groups are controlled by each service headquarters within the ceiling approved by the Governor in Council. Pay is issued twice monthly—at the middle and end of each month—and changes in entitlement are authorized in the daily orders issued by each service and are recorded on the pay accounts. These accounts are of course subject to inspection and audit. When travelling on duty service personnel are allowed fixed rates per day as laid down by the Governor in Council, but subject to deductions where accommodation has been provided in trains and steamships. Transportation is arranged by issue of a warrant to the transportation company who render monthly accounts. It should be noted that under arrangements made by the Canadian Passenger Association acting on behalf of the railway companies, the department obtains special rates which are subject to change from time to time but duly approved by the Governor in Council.

Civilian pay and allowances are paid in accordance with the rates and conditions laid down by the Civil Service Commission for each individual which are approved by the Treasury Board. Travelling expenses incurred by civilians are paid on an actual basis but within limits laid down by regulations approved by the Governor in Council.

Procurement of Equipment, Stores and Supplies

Procurement of all stores, supplies and equipment required by the department as outlined in paragraph (b) above, was carried out by the Minister of Trade and Commerce using the Canadian Commercial Corporation as his instrumentality.

As I mentioned before this will now be done by the Minister of Defence Production upon request of the Minister of National Defence as provided in the Department of Defence Production Act.

The procedure of procurement is for the department to forward a request from the Minister of National Defence to the Minister of Defence Production to procure the particular stores, materials, supplies or services required by National Defence including an estimate of the cost of such items.

The Minister of Defence Production then makes appropriate arrangements to obtain by purchase, manufacture, or otherwise, the items requested and a copy of the acceptance of tender or contract entered into is sent to the chief treasury officer of the Department of National Defence, the controller general of inspection services and the department itself for record purposes. In instances where the cost estimate by National Defence is found to be too low and the funds encumbered consequently inadequate, the Department of Defence Production so advises and the necessary amendments are made.

In cases where it is not possible to award a contract on a tender basis, for instance in the case of a newly developed equipment never before manufactured in Canada, the Comptroller of the Treasury has an accounting officer audit the progress made before moneys are paid out.

All supplies and services are subject to inspection under arrangements made by the controller general of inspection services, who is directly responsible to the Deputy Minister of National Defence. No stores, supplies or equipment are accepted by the department which have not been inspected and found to be satisfactory. In this connection it should be pointed out that under the arrangements made with the controller general of inspection services the fabrication and final test of aircraft and ships are the responsibility of the technical officers of the service concerned.

When stores, supplies or equipment are received by the services they are immediately taken on charge by the appropriate service authorities and invoices are duly certified by the receiving officer that the goods have been received, are in accordance with the contract and have been taken on charge. In the case of services rendered the certificate must indicate that these have been completed satisfactorily to the amount claimed. The certified invoices thereafter are passed to the treasury officer who makes a further check that the supplies or services for which billing is made are in accordance with the prices, terms and provisions of the acceptance of tender and that the commodities have been received and taken on charge or the service duly performed and the account is then passed for payment.

Provision has been made for procurement of small items required in the field through the local agent of the Canadian Commercial Corporation. Direct purchase may be made by the services within very limited amounts to meet any more emergent requirement.

Construction and Acquisition of Property

Major construction other than aerodrome development, as referred to in (c) above, required by the Department of National Defence is arranged by the Minister of Defence Production using in this instance Defence Construction Limited as his instrumentality. The procedure followed is similar to that for procurement of stores and supplies, etc. A requisition duly approved and signed by the Minister of National Defence is sent forward to the Minister of Defence Production and contracts are arranged by Defence Construction Limited in

accordance with plans and specifications furnished by the Department of National Defence. Funds are made available to Defence Construction Limited for the work to be undertaken by them on our account. The right of inspection of all work arranged by Defence Construction Limited rests with service engineers although supervision is carried out by the former agency.

Contracts for minor construction projects and maintenance of property, involving as they generally do a mixture of contractual work and labour directly supervised by service engineers, are arranged directly by the Department of Defence Production without the use of Defence Construction Limited under the same procedure as outlined above for the purchase of stores and supplies.

Aerodrome Development

In the case of aerodrome development, the Department of Transport is responsible for all government aerodromes other than those required for defence purposes and that department has the facilities to supervise development and arrange for construction of runways, taxi strips, etc. Except in special cases there is an arrangement in force whereby that department undertakes the placing and supervision of contracts for this type of construction for the account of the Department of National Defence. A requisition for construction of this nature, duly approved by the Minister of National Defence is forwarded to the Minister of Transport and funds are made available to that department from National Defence appropriations for the work undertaken by them also on our account.

Where it is necessary to acquire property, an evaluation based on survey is made by independent authorities in order to verify that the price asked is fair and reasonable. For this purpose use is frequently made of property appraisers in other government departments, and if not, by a recognized real estate evaluator. In all cases approval of the Governor in Council is obtained and final settlement arranged through an agent appointed by the Department of Justice.

Printing and Stationery

All printing and stationery required by the department (item (e) above) is procured through the King's Printer who undertakes to provide either from within his own organization or by outside contract. He therefore is given responsibility for the fairness of the charges made and the accounts are passed to the chief treasury officer of National Defence for payment.

Recurring Routine Charges

Items covered by (f) above, namely, the supply of water, light and power, etc. from municipalities and public utility companies are covered by agreements at authorized tariff rates or at special rates as negotiated. Payment of rentals for properties and buildings are covered by leases in accordance with authority given by order in council and at rates compatible with prevailing rentals in the locality.

Other Miscellaneous Items

Items which come under (g) fall generally under the heading of sundry and unforeseen or miscellaneous expenditures. Normally, financial provision is made under general headings on the basis of past experience for items such as university and other courses, recruiting expenses, costs of courts martial, legal fees, pilotage and canal tolls, etc., all of which are covered by regulation or specific approval by the Governor in Council.

Damage claims settled by litigation or otherwise, which involve an expenditure of over \$500 are handled by the Department of Justice.

Under this classification would also appear expenditures made in accordance with special votes approved by parliament, such as grants to military associations, service pensions, etc., details of which are of course set forth in the printed estimates.

It will be noted from the above that generally with the exception of property acquisition other than in relation to aerodromes and a number of specialized arrangements relating principally to training, the Department of National Defence is not concerned in the negotiation of contracts. This is done by other branches of the government having special experience and resources in their particular fields and avoids the necessity of a large staff for this purpose in the department. While we retain the right in all cases to say whether or not an arrangement negotiated should be proceeded with or not, as it is generally a case of weighing the military requirements, and also the right to determine whether or not the product meets the specifications provided, actual negotiation and direct relationship with the contractor rests with others.

I may say that distribution of stores, etc., use of accommodation and all matters involving expenditures are subject to audit and supervision, not only by various authorities outside the department, such as the Comptroller of the Treasury and the Auditor General, but within the department by the internal audit unit and of officers under the direction of the minister.

Revenues

Revenues received by the Department of National Defence arise generally from rentals of lands and buildings not immediately required and cropping arrangements under lease and licence. Considerable sums of money have been collected by way of rental of quarters to employees of contractors engaged in construction for the Department of National Defence and other government departments' civilians working in areas operated by this department. Commissions are obtained on public telephone services provided in D.N.D. property and in this connection substantial sums are recovered for transmission of private and commercial messages through stations of the Northwest Territories and Yukon system.

Where revenues are obtainable the chief treasury officer of the department is notified and action is taken by him to ensure that the moneys are collected. The amounts collected are reflected in the statement included in the public accounts each year.

The VICE-CHAIRMAN: Gentlemen, you have heard the statement of the deputy minister. You will now want to embark, I presume, on some of the items to which he referred in his statement.

Mr. FLEMING: I suppose, Mr. Chairman, we can use the statement as a basis for questions on points arising out of it, confining ourselves to its terms for the moment. May I first of all start with a question of a general nature, in view of the outline you have given us of the method of control of National Defence expenditure.

By Mr. Fleming:

Q. Mr. Drury, you have had an opportunity to see these methods of control at work. Are you satisfied with the machinery, as machinery, and with the efforts that are being made with regard to the future to avoid waste and overlapping or excessive expenditure?—A. Mr. Chairman, I do not think one should ever be satisfied with a machine as it is set up or in operation, that it is entirely satisfactory. It is our constant endeavour to improve it in any way we can, but for the time being I am of the opinion that it meets the bill as far as it is possible to do so.

Q. Well, then, there may be certain things which can be improved. I wonder if you can indicate to us whether there are any weaknesses in your present machinery of control?—A. So far as the machinery of control being inadequate is concerned, my personal view is that it suffers perhaps from too much in the way of detailed control. The machinery as of the date of these accounts has been modified subsequently to permit of a greater measure of decentralization of control, and in consequence of this more work is being transacted more expeditiously. This process of decentralization of authority is a continuing one and an important step in the right direction.

Q. Are you speaking of this decentralization of control within the department or throughout the government generally?—A. Both.

Q. You spoke of the preparation of these accounts; I think that was the expression you used. To what particular period are you referring, and what has been the consequence of these decentralization measures; and has there been time to judge of their effectiveness yet; what have they accomplished?—A. Possibly I should speak of some of the measures in the department itself. As perhaps the committee know, by training service officers are not impressed with the necessity for caring too much about the expenditure of money. Their job, and rightly so, is to get on with preparing themselves to fight a war, and in the natural course of events the insistence is on acquiring the best possible equipment for their men and the best possible method of training for them. And for those who have had experience in war, they have a background of events where expense is really not the principal feature at all, but rather the meeting of urgent demands of various kinds. This, of course, has resulted in unwillingness to entrust the expenditure of large sums of money to service officers and in making it essential that there be a civilian control at every stage, even with respect to very minor expenditures indeed. We have felt that it should be possible to inculcate a feeling of financial responsibility among the service officers, and that the only way to do that is to entrust them regularly with larger responsibilities in respect to expenditures. And I mention here (on page 5) that provision has been made for procurement of small items required in the field through the local agent of the Canadian Commercial Corporation. Direct purchase may be made by the services within very limited amounts to meet the more urgent requirements. The various general officers commanding, or officers commanding, and flag officers, have increased authority now—since the date of this document, (1950) we have increased the amount which a general officer or a flag officer out in the field can expend without requiring approval of the department at Ottawa. This has been useful in that it has speeded up the transaction of business and reduced the volume of paper work. There have been no abuses of this increase in authority by the services concerned, which would lead one to believe that this should be progressively increased. This in my view is satisfactory and something which we should continue. It is becoming, of course, at this stage increasingly necessary with the enlargement of the defence program. It is a rather difficult operation for one man or one small body at Ottawa to scrutinize in detail every item involved in such a program.

Q. What proportion of expenditure since this new policy was embarked upon has been made in this way by officers and staff in the field?—A. I do not know.

Q. Is it greater?—A. It is a very small proportion.

Q. Can you give us any idea? Would it be 5 per cent?—A. I do not think it would be that much.

Q. Then it is really something in the nature of an experiment at the moment?—A. It is really an educational measure, the result of the application of a new policy.

Q. You indicated the view of the department that this was just an experiment. I think you also said that service personnel are not always as interested in confining expenses as they are in getting results whether it be better equipment or better training methods. What have you to say as to the relationship of the three armed services in this respect, their relationship to one another?—

A. You mean you want me to compare them?

Q. Yes.—A. That, I suggest, would be invidious.

Mr. SINCLAIR: Hear, hear.

By Mr. Fleming:

Q. You spoke about efforts on decentralization. We have heard a good deal in the post-war years about consolidation and unification. Now, how are these two tendencies meshed together with reference to relative expenditures of the three defence services?—A. Well, they are in slightly different fields. The consolidation or unification is related to general practice which all three of the services follow, and this decentralization from the central civil authority at defence headquarters to service officers in the field. Now, the amount of financial authority, the degree to which financial authority has been granted to service officers in the field is the same for each of the three services and they are on the same basis. There has been no differentiation between them. To do otherwise would be a step away from unification. It has been rather within the framework of unifying or co-ordinating the three services, that decentralization has been carried out. I do not think I made that perhaps as clear as I should have, but as I understand it the two are not at all incomparable.

Mr. SINCLAIR: If I might be permitted to interrupt, I take it that what you are dealing with now is more the unified units than with separate units?

The WITNESS: That is right.

Mr. SINCLAIR: And that in this way you limit the amount of expenditure authorized by the commanding officer, and I presume by other officers down the line. Would you give us the actual figures, the spending authority for the officer commanding, so we can know what it is that you have in mind when you refer to these unified services.

Mr. FLEMING: And we might have that for the three services.

Mr. SINCLAIR: Well, they are all the same, that is what he said.

The VICE-CHAIRMAN: Yes, they are all the same; he said they are all the same, so he might give it to us for one of the services.

The WITNESS: Well, Mr. Chairman, what I brought along was the statement for 1950, and I haven't got with me the figures for the current year.

The VICE-CHAIRMAN: Stick to the statement; we are dealing with the 1950 accounts.

The WITNESS: In 1950 the general officer commanding or the area commander, or the commander for the northwest highways system, was entitled to purchase materials or make contracts for the repair and maintenance of buildings in a maximum amount of \$1,000 without securing prior approval from national defence headquarters.

Mr. SINCLAIR: Then, what is the authorization for the next down in the chain of authority, for instance, the station commander in the case of the Air Force; what amount would he be authorized to expend?

The WITNESS: This is from the table I have before me here. For instance, the commander of ordnance stores would have the authority to purchase with respect to general items, not to exceed \$100, for general stores, and not to exceed \$200 for technical equipment or for the purchase of equipment relating to heavy engineering.

Mr. FLEMING: Would you care to put that on the record?

The WITNESS: It is a very long table. I would be glad to put it on the record for what it would be worth to the committee. As you see, it covers some six pages and refers to various authorities in relation to the different types of stores and other matters in respect to the three services.

Mr. SINCLAIR: The area officer commanding, or the general officer commanding, only has authority to expend up to \$1,000 at one time, and the station commander has the authority to spend only \$200. I do not think there is very much to be gained by putting a table of that kind on the record when it relates to such small amounts.

Mr. FLEMING: I suppose one could only judge that in the light of the overall total of expenditures which have been made by the officers concerned, the officers who have been given this authority to make expenditures. If we had the figures of all expenditures it would enable us to see whether there would be any advantage in our going into details at that time, Mr. Chairman. Perhaps we might have a look at that later. Have you seen it, Mr. Chairman?

The VICE-CHAIRMAN: I have not seen it. This is the first I have heard of it, and I must say that I was rather startled at the figure of \$100 for an ordnance officer. I had supposed that perhaps he would have considerably more authority than that, it seems to me that the amount of \$200 for an—

Mr. SINCLAIR: Ordnance depot.

The VICE-CHAIRMAN: Ordnance depot, yes, is rather small.

Mr. FLEMING: These authorities are obviously only for small amounts. The only question is the number of such purchases that might be made under such authority. I suppose a strict supervisional check is exercised on that.

Mr. STEWART: While I have been listening to this it occurred to me that it might be of some help if we could have the details of how this thing worked out during the year 1950, the fiscal year under review. That might be some help.

The VICE-CHAIRMAN: Mr. Drury says that he will endeavour to get that statement. There seems to be no reason why this should not go onto the record. In the meantime, if any members of the committee would like to look at it, it is available to them. Have you an extra copy of that?

The WITNESS: No, not with me, sir.

The VICE-CHAIRMAN: Well then, if you will let us have that one we will have it recorded in today's proceedings as an appendix.

Mr. WRIGHT: Yes, I think that would be a good idea.

Mr. SINCLAIR: I was going to ask one question there. These people, the field commander, the area officer commanding, and so on, I take it are authorized to make these expenditures only in unusual cases, in cases of emergency, and in any case where the expenditure amounts to more than that authorized \$1,000, he would require the approval of headquarters?

The WITNESS: That is correct.

Mr. SINCLAIR: Then, this is really only an emergency authority.

By Mr. Fleming:

Q. Is this for emergencies only?—A. These are emergencies which are not met by normal and customary supply means.

Q. It amounts to this then, that he is not going to go out and buy his ordinary supplies in this way at all. I did not understand from what Mr. Drury said that this authority was limited only to emergency cases; this is purchases by officers in the field.—A. In the ordinary course of events, for example in the case of \$200, or \$100 for the ordnance officer; an estimate is made by the local

ordnance officer as to the scale of requirements for the following year. That applies more particularly to his ordinary requirements, what he would need for the following year, that appears in the estimates, and provisioning is done through the Department of National Defence. This is the ordinary course of events for the various requirements for the year. There are cases, however, where the local ordnance officer did not make a right estimate as to his particular requirement of a certain item and a need develops, he finds he needs one or two more; so rather than prepare a contract demand and put it through all the machinery here at Ottawa—they want one extra tire for instance—he is authorized to buy it locally. In this sense he is meeting an emergency requirement such as an extra tire which he can obtain through local purchase.

Q. I suppose the practice is one which is increasing under this new plan?—

A. In volume, yes. There has been a change, an increase in this authority.

Q. What are the rates of the increase?

The VICE-CHAIRMAN: Just wait a moment, please. I think we are getting rather far afield. We are limited, as you will recall, in our investigation here to the 1950 accounts, and to what they were at that time. We have nothing to do with the 1951 estimates. They are not before this committee or the House yet.

Mr. FLEMING: I am merely asking information as to what was done.

The VICE-CHAIRMAN: The witness merely said that it had been increased. He should not be asked to deal with it at this time, because it does not come within this scope of our reference.

Mr. FLEMING: He said there was an increase.

The VICE-CHAIRMAN: Yes, but that was subsequent to March 31, 1950, which is beyond the scope of our inquiry.

Mr. FLEMING: Mr. Chairman, I never understood that this committee was confined to events ending as in this case March 31, 1950. Surely, that has not been the practice of a committee of this kind.

The VICE-CHAIRMAN: I will read from the order of reference, Mr. Fleming. It was read at our first meeting, and it is this: "Ordered—That the Public Accounts of Canada and the Report of the Auditor General for the fiscal year ended March 31, 1950, which were tabled in the House on Wednesday, January 31, 1951, be referred to the said Committee."

Mr. FLEMING: Yes, Mr. Chairman; that is the volume of accounts, certainly. We have not asked for any statement of any accounts for the intervening fiscal year. I have been a member of this committee for quite a few years, I think at least six, and I have never understood that we were limited strictly to the year covered by the report referred to us. These questions arise naturally out of matters in that report, and they are certainly relevant. I don't think we should be limited in that way.

Mr. SINCLAIR: That was certainly the case last year.

Mr. FLEMING: Let me give you an example in illustration of my point. Some of the members who were on the public accounts committee in 1947 will recall that the committee that year investigated considerable expenditures in connection with the administration of the Veterans Land Act. We had information given to us at that time which was right up to date. It started with the expenditures in regard to that year and the information was relevant in matters of administration within that year, and they were brought right up to date at that time. We are not asking for the disclosure of any secret material. This is material of a nature that might properly be given by Mr. Drury this morning when we are considering the authority given to officers in the matter of purchases in the field during the fiscal year ending in 1950. I think it is relevant that we should be given information as to what has been done in regard to the express

instructions that have been issued officers commanding at points outside of Ottawa, in other words, in the field. This is not outside our reference, I submit, and it relates to this item in the public accounts.

Mr. SINCLAIR: If that practice is to be followed, Mr. Chairman, then there are a large number of items in the 1950 accounts which can be projected forward into 1951 with the result that that would make us rather a committee on estimates than on public accounts.

The VICE-CHAIRMAN: Is that not the danger, Mr. Fleming?

Mr. FLEMING: No, Mr. Chairman, far from it. It is not a question of estimates here. This is not a committee on estimates, and under our terms of reference cannot be. But where information is asked for in relation to 1950 accounts, I think it is perfectly proper for any member of the committee to seek to bring that information down to date. This question is about the scope of the authority given in reference to expenditures by field officers of the three services. It has nothing to do with estimates during the year.

Mr. RICHARD: Is not Mr. Fleming trying to get some information as to policy when he seeks to project this answer forward? Would not that relate to expenditures and expenditure authority in 1951?

The VICE-CHAIRMAN: That, of course, is the danger. Mr. Drury did say there was a change, some revision in 1951 from the authority in force in 1950. I thought that was a proper question, and the answer seems to relate to the facts that we were dealing with. But, as Mr. Sinclair has pointed out, if we are to permit that line of questioning on other matters coming before us in the public accounts they can all be projected into 1951. Then we get into estimates rather than staying on public accounts.

Mr. STEWART: Mr. Chairman, this is one case where the Chair has to rule to decide the question. I think the question put by Mr. Fleming is an effort to find out exactly what is being done and it really has no bearing on the estimates. The question is possibly a matter of policy and I think it is one which might be answered without creating any considerable amount of controversy.

The VICE-CHAIRMAN: Mr. Stewart, I thought there might be some leeway permitted in questioning. The witness did say that there had been a variation. I do not know what the variation is. As I said, we are limited by our terms of reference and in the past the committee has not seen fit to go beyond that. When we do go beyond that then we are certainly getting into the 1951 estimates.

Mr. CAMPNEY: Mr. Chairman, any of the variations to which you referred would reflect themselves in the accounts for this year.

The VICE-CHAIRMAN: I do not think it is very important at the present time. I do not know of anything that hinges on it. The witness has answered the question and I think it should be dropped.

Mr. FLEMING: I do not want to prolong the discussion now. In any event, the answer has been given, so I shall go on to another point. At this point I do want to make clear the position in case it arises later on. I must say that I am surprised at the interpretation that has been put on the discussion here this morning in respect to the question I was asking. I fully agree that this is not a committee on estimates. It cannot by its nature function as such. But this I think is a new departure, that a firm line should be taken now in this committee in trying to confine questions to matters which actually occurred within the fiscal year to which the accounts now before the committee relates. There may be some members of the committee who have been on this committee longer than I have, but I have been on this committee for something like six years, and I recall that in a couple of years we went quite extensively afield. I do not recall the point ever having been raised before, that the matters of inquiry to be

dealt with by this committee should be confined exactly to the fiscal year under consideration. This item in the public accounts relates to a particular matter. It is perfectly proper, and I feel that it has always been so regarded for any member of the committee to follow through with a line of questions as to what occurred subsequently, and if there has been something amiss to try to find out what has been done since to correct it. We did that with regard to the report of the Auditor General in connection with practically every statement in his report. We see here that this authority has been enlarged, and I merely asked what had been done since. The witness gave us the detail as to how these authorities had operated; and since he has gone so far as to say that the matter has been taken care of by what has happened since, I think it would be a matter for regret if any firm line were set in this case. If that is done we are going to stifle the work of the committee, Mr. Chairman. I am not saying that in any spirit of division or friction at all. In the past we have conducted our inquiries in this committee without friction and I certainly don't want to be the one to set up any friction in the committee. But I do think we should have the information.

Mr. SINCLAIR: Mr. Chairman, my point is this: there is a proper place to ask questions relating to matters of policy, and that is when the estimates of the Department of National Defence are before the House. At such a time I think it would be perfectly proper for Mr. Fleming to say, for instance, that in the public accounts committee the deputy minister told us that there had been a change in the authority to purchase in the field by commanding officers; to ask why that change was made, what effect it has had, and so on. He could do that when the estimates are before the House, and certainly he should not try to project it forward from the 1950 accounts and try to bring out the policy of the department through a series of questions. I submit, Mr. Chairman, that is a matter of estimates and is going far beyond the scope of the terms of reference to this committee.

Mr. THATCHER: Mr. Chairman, I think a very important principle is involved here, when we are considering these public accounts. Certainly we are not going to be able to make any informed decision if you are going to rule out material of this kind which is vital to our consideration of the matter raised. Certainly the whole National Defence picture has been changed considerably. We have a new department, the Department of Defence Purchasing. What is the use of going into what happened a year ago if it has all been changed? Surely it is sensible to allow this committee to find out whether these things are being done today. I cannot see why it should not be allowed.

The VICE-CHAIRMAN: Mr. Thatcher, we are here for the purpose of studying the public accounts, the expenditures of moneys by the Department of National Defence. We are not concerned, as I understand it, with the future expenditure of moneys.

Mr. THATCHER: I was just speaking for myself.

The VICE-CHAIRMAN: We are not concerned with anything which has happened since the 31st of March, 1950. That would not be within the scope of the committee. I read you the reference a moment or so ago, and the reference seems very clear to me. The reference is, "That the Public Accounts of Canada and the Report of the Auditor General for the fiscal year ended March 31, 1950, which were tabled in the House on Wednesday, January 31, 1951, be referred to the said Committee." That is the full scope of our reference. That is what we were ordered to do by the House. That is what we are trying to do, and we are not projecting ourselves to do anything beyond that.

Mr. THATCHER: May I remind you, Mr. Chairman, that the Prime Minister himself, on *Hansard*, stated the position to be that the committee would have every opportunity to ask about any defence expenditures in the public accounts committee. I would suggest that we ought to do that.

The VICE-CHAIRMAN: Mr. Thatcher, it is not a question of my limiting the inquiry. The only matters before us are limited to the terms of reference to this committee, the reference is clear, in my mind. It states clearly what we were ordered to do. With respect to anything beyond that, it is available to any member to take up any matter relating to the present year on the floor of the House when the estimates are being considered. At such a time, when the estimates are before the House, questions could be put and answers requested along the lines indicated by Mr. Sinclair; that such and such a statement was made in the public accounts committee, that a change had been made in this policy; what was that change, and why was it made. Perhaps next year when we are here in the public accounts committee we will be able to have the question answered satisfactorily, and perhaps have it enlarged on also, but that opportunity is not available to us at the moment.

Mr. FLEMING: Mr. Chairman, I do not think that under the rules of the House we can make any reference to anything that happened before the committee.

The VICE-CHAIRMAN: No, but any member can say that the public accounts committee has suggested such and such. He could do it by giving the information that there has been a change in the practice; then he could ask what has been the change, why was it made and so on.

Mr. LARSON: Mr. Chairman, there are 55 pages in the public accounts for 1950 involving upwards of \$380,000,000. It was certainly my understanding that we were to go through these accounts and find out what was done with that \$380,000,000.

Mr. STEWART: Mr. Chairman, I think there is a danger of this committee finding itself very circumscribed. I do not wish to support the views of my colleague, the member for Moose Jaw, when he speaks about the opposition. I do not think that we in this committee should sit as opposition members or government members; we are trying to do a job of work. In this case, as Mr. Sinclair pointed out, it would appear that Mr. Fleming's question projects into the current fiscal year, the fiscal year ending March 31, 1951, that is. If you are going to make a strict ruling I do not know what the effect of it may be. I imagine one of our responsibilities and duties is to find out what has happened in a case such as this. I do not see how you are going to be able to make a recommendation when you are told that changes and improvements have been made unless you find out why those changes have been made and what the effect is.

The VICE-CHAIRMAN: We are trying to get on with the work of the committee. I am very glad to hear the views expressed by Mr. Stewart. We are sitting here as members of a committee rather than as members of a party. Let us get on with the questioning without pursuing this phase of it further at the moment.

Mr. FLEMING: We are leaving the point open. You are not ruling on it.

The VICE-CHAIRMAN: Yes, leaving the matter open. Let us see whether we can get on.

By Mr. Fleming:

Q. Mr. Drury, you were talking about the relationship of the three services, have you found that the three services through their military personnel are reporting all their needs; and have you found any degree of competition among the three services for an enlargement of their purchasing or expenditure authority? Is this \$1,000 sufficiently controlled by overall forms of control? —A. No. No competition.

Q. Will you just outline in a little more detail then, as apart from your very useful memorandum, how these purchases by the three services are controlled, and how they are handled by those who have the responsibility of co-

ordinating these activities?—A. As I mentioned very briefly in this memorandum, a definite program is put forward as a consolidation to be considered by the chiefs of staff committee, whose duty it is to pass upon the military characteristics and the military desirability of the items; you might say on the military desirability of the program, and that committee examines the possibilities of effecting economies by eliminating duplication, or eliminating things which militarily are unnecessary. In addition to that is the examination by administrative officers of the department to ensure that the estimates are correct.

Mr. SINCLAIR: Mr. Chairman, may I interrupt? Throughout all this evidence we hear the term administrative officer. I was wondering if there could be some distinction made between service officers and administrative officers. As I understand the term administrative officer as used by Mr. Drury, he is referring to the civilian administrative officer in the department. You are referring to civilians?

The WITNESS: That is right, I am referring to civilians.

Mr. SINCLAIR: I was wondering if there was not some way in which we could make a distinction in terminology as between the military and the administrative officer. Could Mr. Drury confine the use of the term officer to the military end of it? Would that help?

The WITNESS: I am rather opposed to distinguishing too much between military and civilian. I know that it is helpful to use the term civilian side.

Mr. SINCLAIR: I think it is important that we should have some clear cut distinction because you said earlier that military men by the very nature of their calling are more interested in getting the job done—and when you talk about the administrative side, the civilian side, you indicate that they work in terms of economy. I am sorry to have interrupted you.

The VICE-CHAIRMAN: How would it be if we call them administrative and service personnel.

The WITNESS: I think what is confusing us is my use of the term administrative officer. I use the term officer as distinct from a clerk.

Mr. FLEMING: You might use the word "official".

Mr. NOWLAN: Very often officials may have been officers at some time.

The WITNESS: They may have been. To go on. When the program has been consolidated and screened as to the military necessity of all the items in it, the officials examine it again; first of all to see that there has been no duplication of requirement, either with respect to individual items or in respect to some services being provided under two separate headings, the same thing being in two separate parts of the program. This examination also goes into the question of the validity of the estimates made, estimates of cost, by the application of a series of factors based upon experience. We have found that the Services are getting pretty expert at making valid estimates of costs, they have had sufficient experience since the war to come out with pretty well the right answers in the first place. Now, of course, it is becoming a little more difficult—but perhaps I should not deal with that.

The VICE-CHAIRMAN: No, you don't need to mention that. I know exactly what you have in mind.

The WITNESS: Well then, strike that out. The consolidated program screened at the official level is then the subject of discussions with the minister. He requires to have produced to him a justification both military and civilian, for all the expenditures asked for. Following that, a similar justification by the department, I mean by the minister, is made when he takes the matter before the Cabinet Defence Committee and cabinet. The result of this operation is that when the man in the field says he needs, for instance, three extra guns at

\$30,000 each, his request has to go through a whole series of successive stages before authority or approval to get those guns is finally granted—the military necessity of those guns, the estimate on the cost of the guns is examined step by step—and this results in the final program which is approved being reasonably well trimmed to known essentials.

By Mr. Fleming:

Q. Are you satisfied that the co-ordination which has been effected has avoided a great deal in the way of duplication, that every effort is made to use equipment which may be available elsewhere before purchasing it outside?—A. Generally speaking, there is not very much equipment which is common to the three services. The armament of the army is not common to the air force, except in the case of ground defence equipment; nor is equipment similar as between the air force and the navy—there is a difference. Even with respect to electronic equipment, that tends to be different for each of the services. But where there are things in common as between the services we aim to provide a deficiency in one branch from equipment available in another where it is suitable for the purpose; also, there are cases where one branch of the service may have an extra unit of equipment which it does not require and which is made available to the other services.

Q. Before any one of the three services declares an article of equipment surplus is it offered to the other services?—A. It is.

Q. Well, let us take some purchases which must be common to all three of the services, let us take wool, for instance. What has been the practice with reference to the purchase of wool? Do you consider the needs of all the services?—A. As a department we do not purchase wool. We make a requisition, or rather the minister makes a requisition, and the minister—at this period, of Trade and Commerce—now the Minister of Defence Production—he makes what the soldiers call an indent; requesting so many garments or so many blankets, so many felt boots. All these have a wool component. No doubt the Department of Defence Production themselves make a breakdown into basic commodities of the sum total of the requirements with respect to those basic commodities, and the Department of Defence Production then undertakes where it is necessary to secure the raw materials to satisfy that total requirement. There is no attempt on our part to say what our requirement of these basic materials is.

Q. For the calendar year 1950 what was the amount of the requirement for the different types of supplies that had basic wool in them; what requisitions were there for classes of equipment containing wool, for all the services?—A. In the year 1950—is that for the calendar year 1950 or the fiscal year 1949-50?

The VICE-CHAIRMAN: Yes, the fiscal year.

Mr. FLEMING: For my part, I would say both.

The VICE-CHAIRMAN: No, we are dealing with the fiscal year.

The WITNESS: In the fiscal year 1949-50, there were no unusual demands for products containing a large element of wool. Our requirements for uniforms and our requirements for blankets were probably the main items, and our demands were only for our normal maintenance requirements and what would be sufficient to take care of the anticipated increase in strength.

Mr. FLEMING: There has been an expansion in the requirements of the three armed services for equipment having a wool content since March 31, 1950?

The WITNESS: That is correct.

By Mr. Sinclair:

Q. Mr. Chairman, questions have been asked about items of equipment which are common to the three services and what steps are being taken

to avoid duplication. I would like to ask a question of a different kind, as to what the situation is with regard to such things as dental services and chaplain services and medical services, deficiencies in requirements in each of the three services. How do you balance the department in respect of the categories?—

A. Of course it would have been better had you mentioned dental services.

Q. Well, take the services common to all three of our armed forces.—A. In the case of the chaplain service, each of the armed forces, the Navy, the Army and the Air Force, have their own chaplain service.

Q. Would it be possible, supposing the Army have a deficiency of a chaplain to have one transferred from one of the other branches, one of the other services?—A. Theoretically, yes. Normally a chaplain is a chaplain to one of the services, but he could be transferred from one service to another. The situation is the same with regard to doctors. In the case of dentists, however, we have but one dental service for the armed forces so no question of interchangeability arises. The dental corps is a single unit for all three services.

Q. If that is good practice for the dental corps why is it not good practice also for the medical corps?—A. There are those who have argued that it would be useful to have a single medical corps perform for all three services. On the other hand, there are a good many doctors who argue that the role of the medical officer in each of the services differs so much that no advantage is to be gained by having a single medical corps. In connection with the Navy the medical officer has a very important role. Aboard ship he is the morale builder, the father confessor, in addition to his routine medical duties of giving out pills and that sort of thing. Most of the time his medical duties relate to purely minor matters, so that the doctor aboard ship is required to give considerable attention to the morale of the crew. He makes himself useful by looking after their physical condition and to quite an extent he looks after the spiritual needs of those on board; and to do this satisfactorily he must become imbued with an understanding of the Navy and of the spirit which animates it, and this is not a thing which can be acquired in the matter of a year or two. His job in the Army is quite different, and so is his job in the Air Force, and so far that is the practice which has prevailed. Here, again, I am going beyond the period under examination when I say it is something which we are continually examining in the light of actual conditions.

Mr. CRUICKSHANK: Are there different rates of pay in the three services for the same rank?

The WITNESS: No, the medical officers, or any other kind of officer, are paid the same in each of the services.

By Mr. Thatcher:

Q. It comes back to the question raised by Mr. Fleming. I wonder if Mr. Drury can say whether it has been the practice of the department to stockpile some of these end products.—A. In the fiscal year 1949-50 there was practically no stockpiling.

Q. But after that?—A. After that there was stockpiling.

Q. How about wool? What about that?—A. As I mentioned before, we do not stockpile wool.

Q. You place a requisition, how do you decide what is to be stockpiled?—A. We requisition the end product only, and our stockpiling is entirely of end items. It might be said that we are stockpiling uniforms, but it is only in finished equipment or items of that kind that we can be said to be doing any stockpiling, we certainly do not have any bales of wool or cotton, just the finished product.

By Mr. Fleming:

Q. Then as a matter of policy, you do not requisition for the purpose of stockpiling such items?—A. We did not generally as of 1949-50.

Q. I mean, in advance of the time they are needed.—A. I think what you have reference to, Mr. Fleming, really is a matter of policy related to this year and is disclosed in this year's program which the minister has not yet spoken to in the House.

Q. I am not talking about the year ending April 1, 1951. There has been some trend in that direction since 1949?—A. Yes, as I mentioned to Mr. Thatcher, there has been a certain amount, a beginning of stockpiling.

By Mr. Cruickshank:

Q. In the matter of the transportation of service personnel, it has been my observation that members of the air force receive better accommodation when travelling than do soldiers. What is the present practice in that connection?—A. It is precisely the same in the case of all three services, each gets precisely the same class of accommodation and travelling allowance.

Q. What I am getting at is this, that during the war I know that the personnel of the army did not get as good accommodation when they travelled as was available to the airmen. They always had a better type of accommodation than was available to army men.—A. It is not so now, or at any rate not this year.

By Mr. Thatcher:

Q. There was one remark Mr. Drury made just before that. As I understood it he said that the efficiency of the department might be improved if there was not so much detail. Am I correct? Is that not what you said, that there is too much detail in these various reports that are required?—A. The process of business might be expedited if there were less detailed control.

Q. I am thinking of this question, Mr. Drury; as a layman I have found it difficult to understand why at National Defence headquarters there should be almost 5,000 officers and civilians. Are a large number of them employed on this detail work of which you speak? Suppose there was a requisition for three guns, would it have to go from one branch to another and be re-examined and that sort of thing? I am wondering if that is why you have these 5,000 people down here at defence headquarters in Ottawa.—A. No, Mr. Thatcher; they do not all do that.

Q. I know they do not all do that.—A. There are a number of both service and civilian people concerned with this consolidation and making up requisitions on the Department of Defence Production. Now, in most instances you cannot do away with that except by giving the local command full autonomy to go out and purchase on their own. In order to do that efficiently their staffs would have to be augmented tremendously to enable them to buy economically and expeditiously.

Q. Would you have any idea how many at defence headquarters would be engaged in detailing in connection with purchasing?—A. I would hesitate to give you those figures offhand.

Q. I mean, is it possible for us— —A. I could get it.

Q. You could get it?—A. Yes.

Mr. STEWART: What about the stores on hand at the end of the war, has there been an entirely new stock?

The WITNESS: The stocks left on hand at the end of the war have been pretty fully exhausted.

By Mr. Fleming:

Q. In connection with that, I was asking you earlier about the consolidation of these surpluses. Before any articles are declared surplus do you make any effort to find out whether they can be used by the other branches of the service? Also, have you on occasion had requisitions for the repurchase of any equipment or properties which were declared surplus and disposed of by the government?—

A. Yes, we have.

Q. And have you on occasion taken any of that property back into the Department of National Defence?—A. Yes.

Q. Could you furnish us with a detailed statement of all such equipment and property which was declared surplus and sold as surplus, and later re-acquired by the government?

Mr. SINCLAIR: What reference has that to these accounts?

The VICE-CHAIRMAN: His statement was that he could do that.

The WITNESS: Yes, it is possible, but it will take me some time.

Mr. FLEMING: I think this is a matter which requires qualification and one with respect to which we should have some detail. Speaking for myself I would like to have it.

The VICE-CHAIRMAN: There is no objection to that. It is within the scope of the terms of reference to this committee. I do not know, Mr. Fleming, if you are asking for a ruling. I can make one if you want it, but I am trying to give the committee as much scope as I possibly can within the limits of the reference.

Mr. THATCHER: And you are doing very well, Mr. Chairman.

The VICE-CHAIRMAN: Thank you, but I want to get on. I think this is one of the matters in which everyone in the committee is interested. If it gets out of hand I will call it to the attention of the members.

Mr. FLEMING: I just wanted it to be clear on the record. I am speaking of articles of property which were acquired up to March 31, 1950. I think members of the committee will agree that that information would be a good thing for us to have brought down to the committee. I do not want the chairman to make a ruling, I think it would be unfortunate if he made a ruling of that kind now, because we are going to be faced with this problem many times and I think all of us want reasonable latitude in access to information. We want to see this matter disposed of on a just basis, not a doctrinaire basis; but on a basis of good sense. A ruling at this time might be embarrassing, and I wanted to make my position clear on that.

Mr. SINCLAIR: The place for questions of that kind surely is on the order paper in the House of Commons. They are all purely technical questions and relate more to estimates than to the public accounts now before us for study, the public accounts for the fiscal year ending March 31, 1950.

Mr. THATCHER: Questions of that kind were asked here.

The VICE-CHAIRMAN: Questions of that kind appear to me to be outside of the present public accounts. This is a new year. Last year you kept asking for the defence accounts but the committee did not for various reasons get around to a consideration of them, it was occupied with other things, and we did not get around to the defence accounts. We are prepared to go a long way with you, but you will have to confine your remarks more closely to the reference before the committee. I would like to see some questions on the details in the public accounts which are before us here and which involve many pages, all of them dealing directly with accounts.

Mr. FLEMING: We are here this morning asking questions on the general statement which Mr. Drury has made. He is our first witness.

THE VICE-CHAIRMAN: That is right, we are considering his memorandum this morning, and maybe we will pass on to a detailed study of the items in the public accounts, as we were instructed to do. Let us get on with our questioning.

By Mr. Fleming:

Q. I have another question here, Mr. Chairman. It arises in regard to the question of personnel. I think it will be of interest to the committee to know the relative numbers of civilian and military personnel in the department at the various levels, say; if there had been any trends in the past, let us say, two or three years. I presume you have the figures handy. If you would give us a table of figures, whatever may be in order—for instance, have you the quarterly figures?—A. I was just trying to find what you are seeking in the report of the department which was tabled in the House. Mr. Chairman, at page 93 of the report of the department for the fiscal year ending March 31, 1950, there is a table of the number of civilian employees as of March 31, 1949, and a corresponding item for March 31, 1950, broken down under the headings of departmental administration, army service, and air service; at Ottawa, and outside Ottawa; and again broken down to in Canada and outside of Canada, and a further classification as permanent or temporary.

Q. What I had in mind was a table based on that classification but giving figures at quarterly intervals to show trends. I would like to have it for the period of the last three years. If it is not available perhaps it could be prepared.

THE VICE-CHAIRMAN: Well, Mr. Fleming, I presume it would be in the report of the Department of National Defence in the previous years.

MR. FLEMING: That would give it to us for the whole of the department for the year only. I thought we should have it for quarterly intervals, and for at least the three-year period which I indicated, so it would show the trend in that respect.

By Mr. Fleming:

Q. I think on this matter of civilian personnel you made reference in your memorandum to the fact that the department was partly staffed by military people and partly by civil service personnel, and in that connection I think you referred to the fact that there were certain civilian personnel in the department who were not under the Civil Service Commission?—A. Yes, the deputy minister and associate deputy ministers, and the employees of the Defence Research Board do not fall within the responsibility of the Civil Service Commission.

Q. None of them?—A. None of them. Under the Act the Defence Research Board has authority to employ directly those whom it needs for its special purposes. In practice, however, the conditions of employment are virtually the same as for employees under the Civil Service Commission and there is the closest liaison between the Defence Research Board and the Civil Service Commission to see that these appointments are kept in line. In addition, however, perhaps I should mention casual labour.

Q. Yes.—A. Employees of the department. They do not come under the Civil Service Commission. For instance, if a local engineering officer has to have a ditch dug he will himself hire directly local labour for the purpose. These people do not come under the Civil Service Commission. They take them on independently of the Civil Service.

Q. Have you figures available to indicate the amount of expenditure in respect of casual labour?—A. There are figures here for the 1949-50 period and previous years of the numbers of casual labour.

Q. This is casual labour?—A. Yes, it is shown there on page 93 of the departmental report.

Q. I suppose they are employed for extended periods during the year?—

A. They may or may not be, it depends on the kind of work they are doing.

Q. The figures you are referring to are in your report?—A. Yes, at page 93.

Q. And it indicates the periods during which this local and casual labour was employed?—A. That is right.

Q. Have you figures showing the total expenditure?—A. Not broken down, but I could obtain that for you.

Q. You can get it for us?—A. I can get it, yes.

Mr. FLEMING: Thank you.

Mr. SINCLAIR: I would like to follow up Mr. Fleming's question as to civilian employees in the service. I remember in my own service days that there was a difference between the army and the air force and the navy, that in the navy most of the shore personnel were civilians, whereas in the army and the air force you expected it to be under military personnel. Has this headquarters service resulted in the same sort of situation developing in all three services?

Mr. CRUICKSHANK: That would be in your local units.

Mr. SINCLAIR: I am inquiring about headquarters service. Have you been watching things in that regard?

The WITNESS: Mr. Sinclair, we are proceeding on that line. We have embarked on it but it cannot be accomplished in the course of one or two years.

Mr. FLEMING: What you have now—

The WITNESS: Is a mixture.

Mr. SINCLAIR: Yes, of civilian and service personnel.

The WITNESS: Yes, civilian and service personnel.

Mr. FLEMING: Do you have a classification for casual labour?

Mr. SINCLAIR: Yes, they are casual labour.

The VICE-CHAIRMAN: Are you speaking about the Defence Research Board?

Mr. FLEMING: Yes, the Defence Research Board here.

The VICE-CHAIRMAN: Yes. The Defence Research Board operate under a special Act.

Mr. BOISVERT: Do you anticipate there will be some saving in the matter of stores, equipment and the acquisition of supplies under the new system? Is that what the department are trying to do?

Mr. FLEMING: That brings up the matter of projecting this discussion into the year 1951.

The VICE-CHAIRMAN: Yes, I do not think you should do that.

Mr. BOISVERT: Perhaps I should leave that, then. It does seem to me that this is an important part of the statement.

Mr. FLEMING: Hear, hear. It is a question of policy.

The VICE-CHAIRMAN: No, it is not a question of particular policy. It may be that it is a matter of general policy, but you are projecting the matter into the current year by suggesting the possibility of further savings.

Mr. BOISVERT: I may be, and I will let it go at that.

The VICE-CHAIRMAN: If you would, please, thank you.

Mr. BOISVERT: I have another question to ask, Mr. Chairman. What procedure is followed in keeping an inventory of equipment, weapons, stores and so on?

The WITNESS: Well, there is a continuous record of stocks held by each of the services maintained by them, and without too much difficulty each of the services can now produce a list of the items held in stock by it. This, of course,

is essential in order to enable them to know what they are going to need to obtain in the following year, what they are going to have to procure, and they keep a record of complete and broken lines at all times.

By Mr. Fleming:

Q. How about handling these contracts, purchases that are made under this special authority by officers in the field as a part of this policy of so-called decentralization?—A. First, perhaps, I should clear up a misunderstanding. Almost since time immemorial officers in the field have had what was known as an imprest account, which perhaps in civilian life would be called an expense account, authorizing them to make local expenditures on their own responsibility. This special effort at decentralization is merely to increase the amounts of these authorities. It is not something which they never had before. It is merely an increase in the amount of the authority. I think most people will agree that the authority they have had in the past has been nominal rather than real, and it still is in relation to the responsible nature of the duties they discharge, perhaps nominal rather than real; but it is something they have always had on a very much lesser scale. Now, as regards the actual payments, the accounts are handled as many others are. There is a certificate from the responsible officer that the goods have been received and taken on charge, and are satisfactory; that the price is fair and reasonable; and then payment is made by the local accounting officer himself; or, if the purchase has been made through the local agent of the Canadian Commercial Corporation, which corporation has agencies in most large centres, then the bill is rendered directly to Ottawa.

Q. In some cases is payment made directly by the officer making the purchase?—A. By the officer making the purchases.

Q. How extensive have these purchases become in any one place; I mean, in the case of an officer having authority to make contracts up to \$1,000; how many such contracts can he make?—A. He has the power to make contracts up to \$1,000 in any one case, it then becomes a question of judgment as to what is necessary.

Q. Of what it is necessary to purchase locally and the general scope of the activity?—A. There is a monthly limit on the amount authorized; there is also a monthly ceiling on the volume.

Q. That would appear in the statement you filed with the committee this morning?—A. Yes.

Mr. SINCLAIR: Is there any difference in the limit given an officer of a unit at home as compared with one in the field?

The WITNESS: There is, yes. For instance, captains of ships in foreign waters have no limit placed on their authority to enter into contracts for urgent repairs, salvage or things of that kind. But they have got to answer for any mistakes they make.

By Mr. Fleming:

Q. Then, Mr. Drury, at this point I would like to refer you to page 7 of your statement, about three-quarters of the way down the page, and I would like to ask if you could give to the committee a statement of recruiting expenses, and I would like to see it cover the last couple of years and indicate as far as it may be possible—I do not know whether it is possible—how much of the expenditure in any one year is attributable to any particular recruiting campaign; and further, if it is possible to separate it, to indicate figures as between campaigns for the active forces on the one hand and the reserve on the other hand. Can you let us have that?—A. Such a breakdown would be quite difficult and would be bound to be purely arbitrary.

Q. On what basis are departmental records kept in reference to expenditures of this kind? Do they show so much for radio, so much for newspaper advertising and so on? Could you segregate it along the lines I have suggested as to any particular campaign during the year as between the active and reserve forces?—A. That, I think, would be quite difficult. As I say the result would be entirely arbitrary. Almost any type of advertising or radio program endeavours to emphasize the merits of the armed forces, both with respect to the active service force and the reserve force; but how to apportion the cost of a particular program would be difficult for me to say.

Mr. FLEMING: I will not stress that, if it is not possible to separate the expenditures in that form; but in any event if you could do so I wish you would give us a breakdown of expenditures for recruiting over the past two years; a breakdown in the way the department works it out under the headings of classifications of activities. I do not want to ask you to devote too much time to it, but I would like to have that. Would you care to indicate now, Mr. Chairman, whether or not that is in order?

The VICE-CHAIRMAN: It seems to me that involves a great deal of work. I do not know when he is going to be able to get this breakdown for you.

Mr. FLEMING: Well, Mr. Chairman, I would like to have it.

By Mr. Fleming:

Q. Then, page 8, near the bottom of the page, there is a reference to revenue received by the Department of National Defence which arises generally from rentals of lands and buildings not immediately required, and cropping arrangements under lease and licence. I wonder, Mr. Chairman, if we could have a statement with regard to these revenues for the last fiscal period broken down into the various relevant classifications.—A. You mean for the fiscal year 1949-50?

Q. Yes.—A. It is in this document here.

Q. What page?—A. Generally speaking, starting on page N-3, in the public accounts of Canada for the fiscal year ended March 31, 1950.

Q. That is not a breakdown.—A. The breakdown occurs in subsequent pages. For instance on page N-4 under the heading naval services we have rentals of lands and buildings, \$14,844.80; and rentals for quarters, \$11,167.56; and other rentals and permits, \$12,166.88. Then there are other miscellaneous items other than rentals. The same with the air service, rentals of lands and buildings, \$66,856.99; rentals for quarters, \$676,788.07; other rentals and permits, \$71,626.50. And the army, which is on the previous page: rentals of lands and buildings, \$77,901.86; rental of quarters, \$546,393.12; other rentals and permits, \$15,028.39.

Q. I wanted to get the details of these items of revenue. Are you in a position now to give us the detailed information on any one of these?—A. You mean those in here?

Q. Yes. Take for instance on page N-3, D, war and demobilization receipts—armed services—sale of surplus assets to auxiliary services organizations, \$150,000; can you give us the details of that?—A. No, I have not got the details as to how that sum is made up, or the precise items involved.

Q. When we come to that will you be in a position to furnish us with that information?—A. Yes.

The VICE-CHAIRMAN: Mr. Fleming, regarding an item of that kind, as I see it now—you are talking about an item of \$150,000—the information you are endeavouring to get will no doubt have to be specially prepared. I think the members of the committee should indicate in advance the items in which they are interested so that the witnesses appearing before us may be in a position to supply the information. I assume this involves a considerable amount of work.

The WITNESS: It does involve a fair amount of research.

The VICE-CHAIRMAN: Yes.

The WITNESS: And if there is to be a detailed accounting for each item of that \$150,000 that will mean going into a great deal of detail.

Mr. FLEMING: I quite appreciate that you would not have that type of information with you at this time, but I think as a committee we ought to have detailed information of that kind. As a member of this committee I feel that if we are going to do the kind of work that we should a proper statement should be made. I appreciate that it is not possible for that information to be given in detail now. Then reference was made to general contracts, page 8 of the memorandum; and when we come down to a detailed review of the items involved I presume there should be ample notification given to the officers of the department so that they can prepare the material.

The VICE-CHAIRMAN: I do not wish it to appear that Mr. Drury comes here unprepared. It would not be possible for him to give us information such as this, because this is the sort of matter which involves a great deal of research.

Mr. FLEMING: We all understand that, Mr. Chairman. We are dealing with general questions only this morning.

Mr. THATCHER: I would like to suggest that we should meet once again this week if possible.

THE VICE-CHAIRMAN: That was the intention, but I would like to talk to the chairman before I say anything further on it.

The committee adjourned sine die.

APPENDIX "A"

HQ 200-30-2
12th May, 1949.

DEPARTMENT OF NATIONAL DEFENCE

LOCAL PURCHASE AUTHORITY DIRECT FROM THE TRADE

Attached is approved revised list of officers and officials authorized to make local purchases direct from the trade. The attached list supersedes all previous similar lists.

In general, the increases in authorities as now approved have been granted to facilitate work in the field.

Particular attention is directed to the principle that the facilities of the Canadian Commercial Corporation are to be used in preference to direct purchases from the trade.

The strictest economy is to be exercised in order that the best use of funds may be made.

General instructions covering local purchases direct from the trade, dated 17th September, 1947, are still applicable.

C. M. DRURY,
Deputy Minister.

Distribution:

- C.G.S.
- C.A.S.
- C.N.S.
- Q.M.G.
- A.M.T.S.
- C.N.T.S.
- A.G.
- Inspection Board
- C.T.O.

DEPARTMENT OF NATIONAL DEFENCE

LIST OF OFFICERS AUTHORIZED TO MAKE LOCAL PURCHASES DIRECT FROM THE TRADE

	<i>Maximum Amount of Order \$</i>	<i>Maximum Monthly Amount \$</i>
Deputy Minister of National Defence or Associate Deputy Ministers of National Defence or Members of the Deputy Minister's Office as delegated by him	5,000	
NAVAL SERVICE		
<i>Stores, Provisions and Materials</i>		
Captains of seagoing ships when absent from Dockyards or Supply Bases. Captains are authorized to purchase all requirements not carried in stores, including provisions, and to arrange for urgent repairs when away from H.M.C. Dockyards. Prior NSHQ authority must be obtained for all urgent repairs in Canadian ports other than HMC Dockyards.		No Limit
(NOTE.—When standing contracts have been arranged for fuel, provisions or stores, requirements shall be secured through these contracts).		
Superintendent H.M.C. Dockyards, Esquimalt and Halifax	100	500
CO's of Naval Divisions	10	100
C.O. H.M.C.S. "Bytown", Ottawa	10	100
Officers-in-Charge, Naval Wireless Stations (other than Churchill)	25	100
Superintendent Naval Armament Depots, Kamloops and Renous	50	100

	Maximum Amount of Order \$	Maximum Monthly Amount \$
<i>Stores and Materials</i>		
Officer-in-charge, Naval Wireless Station, Churchill	50	200
Director of Naval Stores	25	300
Naval Stores Officers; Montreal and Sydney	100	500
<i>Air Stores and Materials</i>		
Officer-in-Charge, Naval Air Stores Depot, Dartmouth, N.S.	25	100
<i>Urgent Repairs and Maintenance Work on Properties</i>		
Superintendent, H.M.C. Dockyards, Halifax and Esquimalt	300	1,200
C.O.'s of Naval Divisions	100	500
Officer-in-Charge, Naval Wireless Station, Churchill	100	500
Naval Stores Officers, Montreal and Sydney	200	500
Superintendent, Naval Armament Depots, Kamloops and Renous	150	300
<i>Urgent Repairs to Vehicles</i>		
Superintendent Naval Armament Depots, Kamloops and Renous	100	200
<i>Repairs and Modification to Armament</i>		
Superintendent, Naval Armament Depots, Halifax, Esquimalt, St. Hubert, Sydney, Lynn Creek	100	200
<i>Demonstrations in Cookery School</i>		
Officer-in-Charge, H.M.C. Supply and Secretariat School	10	10
<i>Stores, Equipment, Services and Repairs of Mobile Equipment</i>		
Senior Canadian Naval Officer (Liaison), London, England	£25	£50

ARMY

	Nature of Purchase	Maximum Amount of Order \$	Maximum Monthly Amount \$
<i>Engineer Services (works and accommodation)</i>			
GOC, Area Commander, Commander NWHS..	Materials or contracts for maintenance and repair of buildings	1,000	annual basis of 10% of funds allotted for such work.
	Materials or contracts for construction of approved projects	1,000	as delegated by Deputy Minister in authority for such work.
Local purchase authority respecting materials or contracts may be delegated to Command Engineer Officer, Area Engineer Officer and Senior Highway Engineer NWHS for up to \$500; and to Detachment Commanders of Engineer Works Coys or OC Isolated Units as laid down by Command Engineer in Command or Area Orders for up to \$100.			
Army Survey Establishment	Survey materials	100	1,000
<i>Ordnance Stores</i>			
GOC, Area Commander, Commander	General Stores	100	1,000
NWHS, Command and Area Ordnance Officers, CO Central and Regional Ordnance Depots, CO No. 14 Coy	Tech Stores and Spare Parts	200	2,000
RCOC, NWHS, CO Joint Air School (Rivers, Man.), CO Fort Churchill	Mech Equipment and Spare Parts	200	2,000
	Heavy Engineering Equipment and Parts.	200	2,000
<i>RCASC Stores and Supplies</i>			
Q.M.G.	Misc. RCASC Supplies and Services	50	150
GOC, Area Commander, Commander NWHS..	RCASC Supplies and Services — emergency requirements	250	
(To be used only in an emergency where prior approval cannot be obtained from AHQ. In each case covering approval must be sought immediately from AHQ).			
Command or Area Supply and Transport Officers and SS&TO, NWHS	Hospital Diet Extras.. (per hospital)	50	200
	Sick Bay extras	25	50
	(per sick bay)		

	Nature of Purchase	Maximum Amount of Order \$	Maximum Monthly Amount \$
Command or Area Supply and Transport Officers and SS&TO, NWHS	Fresh vegetables and fresh fruits in season when supplied in lieu of contract vegetables covered by ration scale	250	2,500
	*Misc. RCASC Supplies and Services	50	100

NOTE.—The following are excluded from the monthly ceiling imposed on "Miscellaneous RCASC Supplies and Services".

- (a) Provincial license plates, where an annual charge is levied by the Province concerned.
- (b) RCASC supplies for issue on repayment to the Minister's private car.
- (c) Emergency purchases of petrol or lubricants and minor repairs to DND vehicles while on authorized journeys.

Purchases of the above must be reported as a separate item on the monthly return of local purchases.

Repair Vehicles (RCEME Services)

GOC, Area Commander, Commander NWHS..	Repair of vehicles	500	5,000
Authority to be employed where necessary to make repairs at a location so far removed from local office of CCC or from RCEME Workshop that arrangements for repairs can be made more economically than through CCC district office facilities or return to RCEME workshop.			

Authority may be delegated to Command EME, Area EME or OC No. 202 and 204 Base Workshops for amounts up to \$500, total for month \$5,000.

Design and Development Items

Director Weapons and Development	Misc. Stores	25	100
Director Armament Development	Misc. General Stores Armament Development	25	200
Director Engineer Development	Misc. General Stores Engineer Development...	50	300
Director Vehicle Development	Misc. General Stores Vehicle Development....	25	300
Director Inter-Serv. Development	Misc. General Stores Clothing Development	100	300

Medical and Dental Stores

CO Central Medical Stores	Medical Supplies	50	500
Command or Area Medical Officer or Officer i/c Command or Area Medical Stores....	Medical Supplies	25	50
Officer i/c Central Dental Stores	Dental Supplies	25	50
OC No. 12, 13, 11 Dental Coys (Eastern, Central and Western Comds.)	Dental Supplies	25	50
	(Restricted to certain specific artificial teeth and associated precious metal backings).		

Signal Stores

Director of Signals	Signal Stores	25	50
Command and Area Signals Officer: Officer or NCO in charge Northwest Territories Stations, Officer in Charge Ottawa Wireless Station	Signal Stores	25	50
			each Comd, Area, Stn.
Officer in Charge NWT&Y Station, Edmonton, Alta.	Signal Stores	150	750
Officer in Charge Vancouver Wireless Station	Signal Stores	50	100

	Nature of Purchase	Maximum Amount of Order \$	Maximum Monthly Amount \$
<i>Royal Military College Items</i>			
Commandant	General Stores and Clothing	100	500
	Tech Stores and Spare Parts and Laboratory Supplies	100	500
	Mech Transport and Spare Parts	100	500
	Renewals and Repairs..	25	200
	Training Aids and Misc. Supplies	25	200
	Binding of Military and Technical Magazines, Book Mending Mater- ials, Book Plates and Second Hand Books not obtainable through normal channels	25	100
<i>Canadian Army Staff College</i>			
.....	General Stores	25	500
<i>National Defence College</i>			
.....	General Stores	25	500
<i>Liaison Staffs</i>			
Senior Canadian Army Liaison Officer, LON- DON, England	Stores, equipment and services	£25	£50
Commander, Canadian Army Staff, WASH- INGTON, U.S.A.	Stores, equipment and services	100	500
<i>Miscellaneous Items</i>			
Director Military Training	Training Aids	200	500
GOC Eastern Command	Training Aids	25	400
GOC Quebec Command	Training Aids	25	600
GOC Central Command	Training Aids	25	1,500
GOC Prairie Command	Training Aids	25	400
GOC Western Command	Training Aids	25	600
GOC may delegate purchase authority to Area Commander for orders up to \$25.			
AIR FORCE			
<i>General and Technical Equipment, Spares and Services</i>			
Air Officer Commanding, Air Material Command		500	2,000
Air Officers Commanding, Air Command Headquarters.....		250	1,500
Commanding Officers, Supply Depots, Repair Depots and Technical Ser- vice Units		100	1,500
Commanding Officers, Self-Accounting Units		50	1,000
Senior Canadian Air Force Liaison Officer, London, Eng.		£25	£50
<i>Mechanical Equipment Repairs and Spares</i>			
Air Officer Commanding, Air Material Command		500	2,000
Air Officers Commanding, Air Command Headquarters	}	200	1,500
Commanding Officers, Supply Depots, Repair Depots and Technical Services Units			
Commanding Officers, Self-Accounting Units		50	1,000
Senior Canadian Air Force Liaison Officer, London, Eng.		£25	£50
<i>Airframes, Aero Engines and Ancillary Equipment, Repairs, Maintenance, Spares and Services</i>			
Air Officer, Commanding, Air Material Command		1,000	3,500
Air Officers Commanding, Air Command Headquarters	}	500	2,000
Commanding Officers, Supply Depots, Repair Depots and Technical Services Units			
Commanding Officers, Self-Accounting Units		50	1,000
<i>Maintenance and Repairs to Accommodation and Engineering Works</i>			
Air Officer Commanding, Air Material Command		500	3,500
Air Officers Commanding, Air Command Headquarters.....		300	3,500
Commanding Officers, Self-Accounting Units		100	2,000
<i>Materials or Contracts for Construction of Approved Projects</i>			
Air Officer Commanding, Air Material Command		500	3,500
Air Officers Commanding, Air Command Headquarters		300	3,500
Commanding Officers, Self-Accounting Units		100	2,000

	<i>Maximum Amount of Order \$</i>	<i>Maximum Monthly Amount \$</i>
INSPECTION SERVICES		
Chief Administrative Officer	100	500
Administrative Officer, Quebec	50	200
Head Clerk, Purchasing, Procurement and Disposal	25	100

H.Q. 200-30-2
18th July, 1949.

LOCAL PURCHASE AUTHORITY DIRECT FROM THE TRADE

A revised list of officers and officials of the Department authorized to make local purchases direct from the trade was issued under date of 12 May, 1949.

Certain minor changes have been made to the existing list. These have now been approved and are incorporated in the attached Amendment No. 1.

It is requested that the lists in your possession be amended accordingly.

C. M. DRURY,
Deputy Minister.

DEPARTMENT OF NATIONAL DEFENCE

H.Q. 200-30-2
18 July, 1949.

LOCAL PURCHASE AUTHORITY DIRECT FROM THE TRADE

Amendment No. 1
to list of authorities
published on 12 May 49
Maximum Maximum
Amount Monthly
of Order Amount
\$ \$

Page 2 Under ARMY—Ordnance Stores

Delete C.O., Joint Air School (Rivers, Man.)

Insert C.O., Joint Air Training Centre (Army)

Page 3 Under Repair Vehicles (RCEME Services)

Delete Heading and all detail

Insert Repair of Vehicles and Equipment (RCEME Services)

GOC, Area Commander, Commander, N.W.H.S.	Repair of Vehicles and Heavy Engineering Equipment	500	5,000
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Authority may be delegated to Command EME, Area EME,
C.O. No. 202 Base Workshop or C.O. No. 17 Coy., RCEME,
for amounts up to \$500, total for month \$5,000.

Repair to Equipment other than above and Technical Stores	300	2,000
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Authority may be delegated to Command EME, Area EME,
C.O. No. 202 Base Workshop or C.O. No. 17 Coy., RCEME,
for amounts up to \$300, total for month \$2,000.

Authority to be employed where necessary to make repairs at
a location so far removed from local office of CCC or from
RCEME Workshop that arrangements for repairs can be made
more economically than through CCC District Office facilities or
return to RCEME Workshop.

Page 4 Under Signal Stores

Insert Officer in Charge—Oshawa Wireless Sta. Signal Stores	50	100
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Page 5 Under Miscellaneous Items

Insert Commandant, Canadian Army Staff College	Training Aids	25	50
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After Miscellaneous Items and detail

Insert (New Heading)

Recruiting Expenses (Other than Printing and Advertising)

GOC's and Area Commanders.....	Sundry Recruiting Ex- penses other than Printing and Adver- tising	500	...
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Page 6 After "Materials or Contracts for Construction of Approved Pro-
jects" and detail

Insert (New Heading)

Recruiting Expenses (Other than Printing and Advertising)

Air Officers Commanding, Air Command Headquarters.....	500	...
--	-----	-----

Page 6 Under "Inspection Services"

Delete All Detail

Insert Deputy Controller General	}	100	500
Chief Administrative Officer			
Head Clerk, Purchasing & Procurement		25	100

SESSION 1951

HOUSE OF COMMONS

Government
Publications

STANDING COMMITTEE

ON

PUBLIC ACCOUNTS

CHAIRMAN—MR. L. PHILIPPE PICARD

MINUTES OF PROCEEDINGS AND EVIDENCE

No. 7

TUESDAY, APRIL 24, 1951

WITNESS:

Mr. C. M. Drury, C.B.E., D.S.O., E.D., Deputy Minister of National
Defence.

OTTAWA
EDMOND CLOUTIER, C.M.G., O.A., D.S.P.
PRINTER TO THE KING'S MOST EXCELLENT MAJESTY
CONTROLLER OF STATIONERY
1951

MINUTES OF PROCEEDINGS

HOUSE OF COMMONS, Room 430.

TUESDAY, April 24, 1951.

The Standing Committee on Public Accounts met this day at 11.00 o'clock a.m. The Chairman, Mr. L. Philippe Picard, presided.

Members present: Messrs. Anderson, Ashbourne, Boivin, Brisson, Browne (*St. John's West*), Campney, Cauchon, Cavers, Croll, Decore, Fraser, Fulford, Harkness, Helme, Kirk (*Digby-Yarmouth*), Larson, Major, Picard, Riley, Robinson, Sinclair, Thatcher, Wright.

In attendance: Mr. C. M. Drury, C.B.E., D.S.O., E.D., deputy minister of National Defence.

The Committee resumed study of Public Accounts relative to National Defence Department for the fiscal year ending March 31, 1950.

Mr. Drury's examination was continued.

At 12.55 o'clock p.m., the committee adjourned to meet again at 11.00 o'clock a.m., Thursday, April 26.

ANTOINE CHASSÉ,
Clerk of the Committee.

MINUTES OF EVIDENCE

HOUSE OF COMMONS,
APRIL 24, 1951.

The Standing Committee on Public Accounts met this day at 11 a.m. The Chairman, Mr. L. Philippe Picard, presided.

The CHAIRMAN: Order, please. I see, gentlemen, that for once it is not the chairman who is waiting for the members, but the members who are waiting for the chairman. I apologize.

At the last meeting a memorandum was read by the deputy minister and the discussion was on the memorandum so I think we can carry on from there, and if there are any other questions pertinent to that memorandum which was read at the last meeting we can carry on with those before we pass on to another order of business.

C. M. Drury, Deputy Minister, Department of National Defence, called:

By Mr. Thatcher:

Q. Mr. Chairman, there are one or two items I would like Mr. Drury to elaborate on if he would. On the first page of his report he made this statement:

Each of the Armed Services is responsible for putting forward its requirements to meet the program and at each stage of consolidation these are reviewed with a view to eliminating duplications and unnecessary expenditure. Finally, each Chief of Staff having proposed a costed program for his Service, a consolidation of these Service programs is reviewed by the Chiefs of Staff Committee, administrative officers of the Department and officials of the Treasury with a view again to checking the validity of estimates of cost and ensuring that there has been no duplication of effort nor unnecessary expenditure.

Now, that raises a question in my mind as to what has been done about duplication in parallel departments as between the three services. Just to further point out to Mr. Drury the information I would like, Mr. Chairman, I would like to quote from a policy speech that the Minister of National Defence made on the 16th of January, 1947, as to what the objectives of the department were along these lines. Mr. Claxton said this:

Administrative duties common to all three will be performed by one staff rather than by three as at present. The civilian services affected will include these in connection with estimates, accounts, treasury, audit, pensions, canteen and mess funds, printing and stationery, fire fighting, records, reports, returns, answers to questions, stenography, translation, mail, central registry, etc.

I wonder if Mr. Drury could tell us the progress which has been made in consolidation between the three services in this time?

The CHAIRMAN: You mean between 1947 and now?

Mr. THATCHER: Yes.

The WITNESS: Now, I cannot recall all the different items that have been read out.

By Mr. Thatcher:

Q. Would you have a common audit staff?—A. There is a common audit staff. The chief auditor reports directly to me. He has some 35 on his staff. They conduct internal audits, as distinct from the Auditor General's staff. These are departmental auditors and they do audit work both at head office and out in the field.

Q. There is one audit staff for the three services?—A. That is correct.

Q. How about a common pension staff?—A. All functions concerning pensions are carried out by the judge advocate general. There is a single judge advocate general for the three services and he has a common staff of legal officers for all three services, and the pension functions—claims, and questions as to entitlement to pensions, and so on—are under him. There are in a way two branches of pensions. One is a pension which may be received under the Pension Act, that would be a disability pension; and that is the concern of the Pension Board under the Minister of Veterans Affairs. The judge advocate general is the link between the department and the pension board. There is also superannuation under the Defence Services Pensions Act for which there are automatic deductions paid by the services themselves, but the records of entitlement and so forth are kept in the office of the judge advocate general.

Q. Here is a point I was wondering about. Is there a central staff for the services which would look after that?—A. That is right.

Q. How about the stenographic staff? Is there just one stenographic pool for the two departments?—A. No, there is not. We have a stenographic or reproduction pool in the department which handles major tasks of reproduction, but it would be difficult to operate a complete stenographic pool for such an organization as ours.

Q. The minister stated that an effort would be made to have a common stenographic pool. You did not find that advisable as it developed?—A. Not to have it as a completely pooled arrangement.

Q. What about a staff to handle accounts, estimates, returns and things of that nature? You have that?—A. We have.

Q. How about printing and stationery, have you a central department for the three services to handle that?—A. We have.

Q. Would you have any idea how many forms are required by the armed services? Have you got them catalogued? What is the total number of forms used in the three services at the present time?—A. I do not know.

Q. Haven't you got them in a catalog?—A. There is a catalog, but I haven't got it here.

Q. Would there be 500, or a 1,000?—A. I could not tell you that.

Q. You could get me that without any great trouble?—A. Yes.

Q. At the last meeting I think you expressed some concern about the matter of detail work, particularly that was required at headquarters. Why I am interested in that is I wonder if some of your personnel over there are not perhaps bogged down in some of these forms and paper work. Has there been any concerted effort made to standardize forms as between the three services?—A. Yes, that is a continuous process; and perhaps you will have experience in this. A form is designed to eliminate work, to cut out typing and also the composition of words; and, generally speaking, for a given purpose a form does eliminate work.

Q. Have you tried to get similar forms for the three services?—A. Yes.

Q. What I had in mind is this: my understanding is that you have had an inter-service committee meeting for many months on this problem, and one of the forms which you have been working on is the attestation form, the form which the recruit uses when he joins up. Have you been able to adopt a common application form as between the three services?—A. We are making progress towards that. As of the 31st of March, 1950, we did not have a common attestation form.

Q. And you still have not?—A. We still have not.

Q. What is the difficulty in the three services adopting a common attestation form? Would that not be a place where quite a bit of money could be saved? My point is that if the services can't get together on that most elementary form how are they going to get together on more complex forms?—A. Well, I would suggest that perhaps the attestation form is one of the more complex ones. The degree and details of information required about a man who is joining up are for purposes of assessment of his place in the armed forces; the type of information which is required in respect of a man going to sea is not necessarily the same—as the information which should be recorded in respect of a man who is going to be a pilot. In order to achieve a common form it would be necessary to tabulate on one form the sum total of information required by each of the three services. In the case of a man being attested into the navy; some of the information required by the army or the air force would not be relevant.

Q. What about equipment forms, and things like that; is that being worked out the same way for each of the three services?—A. It is. Progress is being made in that direction to achieve unified forms. Where we have a common requirement item for the three services we have a common form.

Q. Then do you think, Mr. Drury, that there is room for saving in that direction by adopting more common forms between the services; or would that just be a minor saving?—A. It would afford some saving, but it would not be a major element in cost.

Q. I see, Mr. Chairman, the minister goes on in his speech to the next line with respect to which the department was considering consolidation, and he said this:

Consideration is being given to the consolidation of several directorates of the three Services, including medical, legal, dental, hospital, medical stores, welfare, education, communications, and public relations.

I think Mr. Drury told us at the last meeting that there was a common dental service for the three services, and I think he gave us certain reasons why there was not a common medical service. I wonder if he would elaborate on that. I just don't understand the reason why it would not be advisable to have a common medical staff.

A The question is partly professional and partly administrative. Doctors, like other professional men, have strong views as to how they can best perform their functions, and as I mentioned the last time, there are those who maintain the role of the doctor in one of the services is so highly specialized that it would not be practicable and useful for him to be transferred to another of the services.

Q. How is this done in the States, Mr. Drury?—A. In the States each service has its own medical service.

Q. And how about Britain?—A. Each service has its own service.

Q. It is the same?—A. It is the same.

By Mr. Harkness:

Q. Before you leave this matter, does each of the services run its own hospitals or does one hospital serve all branches of the service?—A. At the present moment each service runs its own station hospitals. The hospital, for instance, in Shilo is run by the army, while the hospital here at Rockcliffe is run by the air force.

Q. And a hospital like the one at Shilo would take in service personnel for all three services, would that be for the whole of Manitoba?—A. No, not for the whole of Manitoba. There is also an R.C.A.F. hospital at Winnipeg which looks after R.C.A.F. personnel, and they would be hospitalized there.

Mr. SINCLAIR: What about the large hospitals such as Sunnybrooke and Shaughnessey Heights?

The WITNESS: I was just going to mention them. They are base hospitals and they are operated by the Department of Veterans Affairs; and Sunnybrooke, at Toronto is perhaps the best example of a hospital at which it is possible to give service doctors post graduate training. They are big hospitals operated by the Department of Veterans Affairs.

By Mr. Thatcher:

Q. There would be a separate administrative staff for each of the three services as far as the medical service is concerned?—A. That is correct.

Q. If they were consolidated would that save a fair amount of money, do you think?—A. That is something which is difficult to answer. That has been under study up to date, but not much evidence has been forthcoming that there would be any substantial saving in overhead by consolidating all three medical services under one head into a single service. There is little in the way of administrative overhead for the station hospitals, and to consolidate them all under one executive would not cut out very much in the way of cost; the administrative job would still have to be done.

Q. What about your recruiting staff? There is not today a common recruiting office in each city, is there?—A. For the three services?

Q. For the three services.—A. No.

Q. Each service has its own recruiting staff?—A. That is correct.

Q. Why would it not be a money saving device if all three branches of the service had just one office in each city?—A. It might effect a saving in money, in overhead, to eliminate a number of recruiting stations, but the result would almost inevitably be a lowered appeal a lesser availability of locations to which to go—a lesser appeal to the public for recruits; and it would in effect be cutting down the number of places at which people could apply to join the forces. There are two ways in which that could be done; either by cutting down each of the services individually to a limited number, or by consolidation. This would save money but it would also cut down our efforts to recruit.

By Mr. Harkness:

Q. Do you think that would be the case in the city of Calgary where you have the army, the navy, and the air force recruiting stations all fairly close together? I would be very doubtful if maintaining these separate recruiting depots in a city the size of Calgary would be a very great help in so far as availability of recruiting offices is concerned.—A. I would agree generally with that statement, Colonel Harkness; but in Calgary recruiting by the navy is done at the naval division, and it is very doubtful whether you would have any saving by changing that set-up; and recruiting for the army is done at Currie barracks, and there would be nothing saved, the men are there anyhow. I don't know how the air force do it.

Q. They have a city office almost opposite the post office.—A. Well, if that were removed the question would arise as to whether the air force recruiting would be done at Currie barracks or out at the naval depot; but it would eliminate one spot in Calgary which is centrally located for recruiting purposes; particularly at Calgary where you have the naval depot away at one end of the city and Currie barracks away off at the other end, while this office is centrally located.

Q. I would think, as a matter of fact, from the point of view of availability it would be better to have all three where the air force recruiting office is at the present time and to cut down on the staff by at least half, because these people are certainly not working continuously.—A. And have a central recruiting office for all the armed services in the office near the post office?

Q. Yes, some central spot like that which would be available all the time and where it is easy to get at, and then you would not have to spend half an hour getting out to either of the other places with all the difficulties of bus service and everything else, such as you now have in getting out to the naval station or to Currie barracks. I would think actually you would get more recruits, and also that you would not need more than half of the staff you have at the present time.—A. Well, the situation of course is merely that of employing these men part time on recruiting duties; particularly in the case of Currie barracks and the naval depot the staff are there already anyway.

By Mr. Thatcher:

Q. Would you have any idea how many of a recruiting staff there would be in the dominion approximately?—A. I haven't got that figure in my head.

Q. You can get that information, Mr. Drury?—A. I will, yes.

By Mr. Croll:

Q. Does not this competitive recruiting arrangement actually bring you more recruits than you would otherwise get?—A. It is difficult to answer that, Mr. Croll. We think it does.

Q. The Americans use the competitive recruiting system, do they not?—A. Yes, so do the British.

Q. You take in the case of a central recruiting office, where you have one office for the navy, the army and the air force, is there not a little danger of their diverting the recruit from the service in which he is particularly interested into some other service that he may not want to be in?—A. Well, that is certainly a possibility, and there have been cases which have come to our notice where that has taken place.

Q. The reason I bring that up is because as an air force recruit I heard quite a number of boys say they wanted to make the grade because they were afraid they might turn up in the army.

Mr. CROLL: Ah, come, come.

By Mr. Thatcher:

Q. Well, Mr. Drury, the only point I was wondering about was if there would be any economy in having three offices, for instance, competing with each other in some cities. There is the fact that we have such a shortage of manpower in the armed services that men who are doing work of this kind might be released for some more active duties. Your department I suppose has considered the advisability of doing that and turned it down. Is that correct?—A. Yes, we have.

Mr. CAVERS: Would it not be a fact that the navy recruiting officer would know what qualifications are required for his own particular service, and the same would be true with regard to the army and the air force, whereas if all services were under one person there might be confusion. The naval man would know what the requirements were for, say, an able seaman; the army recruiting officer would not.

The WITNESS: I think even if you had competent recruiting officers you would still have to have over these competent recruiting officers, naval, army and air force personnel who would be instructed in the technical aspect of the respective services who would be able to test the capabilities of the applicant, rather than having a single man trying to test them for all three services.

By Mr. Thatcher:

Q. Could you elaborate on education?

By Mr. Sinclair:

Q. Before you do that, Mr. Drury, would you tell us something about the practice with respect to sending patients to Sunnybrooke. Let us say, army personnel. When the army sends a patient to such a hospital is he treated by the veterans' doctors?—A. There are on the staff at Sunnybrooke army doctors. But generally speaking they are specialists, however, rather than general practitioners. Let us say a man goes in for influenza from some outlying area. The army doctor or the air force doctor who has had him sent in to Sunnybrooke would not follow him in to take care of him. He would be turned over to army specialists at the hospital.

Q. What about payment for that service, medical care at one of these base hospitals?—A. We reimburse the Department of Veterans Affairs.

Q. Do you repay the different hospitals on the basis of a flat rate for that?—A. I am not too sure, I think it is a flat rate.

By Mr. Harkness:

Q. As a matter of policy how far do you go in respect of what you might call base hospitals? Do you authorize a certain number in all three services, or do you have just one type of base hospital?

The WITNESS: I must refer the question to the chairman now. This is a bit of a projection.

The CHAIRMAN: Well, I suppose the question is fairly broad. If any question that is put today brings a better light on what we are studying now—this decision does not apply to all cases—I think that we should let some of these things go by. I mean, I would not like to rule definitely that any question implying projection past March, 1951, should be ruled out just for that reason. We should not, however, go into a study of any expenditures made after March 31, 1950; but we may question as to whether or not, since March of 1950, a recommendation or a decision of the department may have bettered the service or made it worse—I would not rule against that. I mean a question such as, for instance, have you made any progress; or, has the policy that you have followed since that decision was taken resulted in an improvement being made, or has it lessened the efficiency of the service. I am inclined to be lenient in that respect, as long as the question does not open the door to a review of any figures or any expenditures after March 31, 1950, because we are limited to that by the terms of our reference and we cannot go beyond that. As to the question put by Mr. Harkness projecting beyond March 31, 1950, as long as it does not involve reference to any figures or expenditures beyond that date I am inclined to be lenient and to allow the witness to answer. I would ask Mr. Harkness to repeat his question.

Mr. HARKNESS: How far is provision for medical services for each of the three services going to go? Are you going to authorize a certain number in all three of the services, or are you going to have just one type of base hospital?

Mr. CROLL: Mr. Chairman, are you being fair to the witness when you ask him to project himself into a mobilization when it won't be his decision? He is merely in the position of a servant of the state. The decision will come from the minister and the department. It appears to me that we are asking him to answer a question now about which he obviously has not had an opportunity to give some thought; and it is not his decision in any event.

The CHAIRMAN: In order to make sure that I understand the question better, I shall ask the reporter to read it back.

Mr. HARKNESS: All I was trying to get at was: how far you might say that the triplication of medical services was being carried out?

The CHAIRMAN: You mean, what has been done?

By Mr. Harkness:

Q. There is no question that each particular unit has got to have its medical officers and so forth. But how far down, at the present time, are base hospital facilities being supplied by the Department of Veterans' Affairs?—A. On a reimbursement basis?

Q. Yes.

The CHAIRMAN: I wonder if you would mind rewording your question? What is it exactly that you want the witness to answer?

Mr. CROLL: It may be that Colonel Harkness will forget about it.

Mr. HARKNESS: The question as I put it was: How far is the provision of a separate medical service for each of the three services going to go? Are base hospitals going to be provided for each service separately, or is it contemplated that there will be but one base hospital?

The CHAIRMAN: Are you not going into a question of policy and asking the witness to state what is to be a decision by the minister? I would permit you to ask whether there has been any change since 1950 up to now, and if so, was it for good or bad. That I would let go. But if you ask: "Do you plan to do this or that?" the witness is not a competent one to answer because the final decision won't be his at all. It will be in the hands of the minister.

Mr. HARKNESS: Well, Mr. Chairman, if that is a contemplated plan, there must be an embryo set up.

The CHAIRMAN: When you say "a contemplated plan", you are projecting it farther than the actual decision. You want to know what might be done. What I was willing to admit was: if some change has been made in anything between March, 1950, and to date pertaining to a question which might inform us as to what was done in the past, it should not be ruled out. But where the decision is in the hands of the department to do this or that, I feel that is not a fair question.

Mr. HARKNESS: Is there any embryo set-up for the expansion of base hospitals?

The CHAIRMAN: If anything has been done up to now in that direction, all right; that question could be answered.

The WITNESS: As at the date of these accounts, there was no arrangement. But subsequent to this period, we have made an arrangement with the Department of Veterans' Affairs whereby that department will provide all base hospitalization required in Canada, and the armed services will confine their hospital activities to station hospitals.

The CHAIRMAN: I think that is a fair question and a fair answer to it.

Mr. HARKNESS: Yes, that is all I wanted. Now I have a question to follow that. What is the amount of payment that the Department of National Defence makes, or has made to the Veterans' Affairs Department for these hospitalization facilities?

The CHAIRMAN: In the past?

By Mr. Harkness:

Q. Yes.—A. In this year?

The CHAIRMAN: Yes. The year under review.

The WITNESS: I cannot break that out. I will have to get that for you.

Mr. HARKNESS: All right.

Mr. SINCLAIR: I ask this question because hospitalization is quite a problem in British Columbia these days.

Mr. CROLL: You are telling us!

By Mr. Sinclair:

Q. Have the armed services ever been short of beds in veterans' hospitals? Have you had soldiers, airmen, or sailors whom you wanted to send to hospital but who have been refused because of overcrowding?—A. In the period under review?

Q. Yes.—A. In this period, no. Perhaps I should qualify that slightly. In general, no. There may have been specific instances related to some kind of emergency, but there are none that I know of.

Q. In other words, the present hospital facilities are adequate for normal use by your services?—A. That is right.

By Mr. Wright:

Q. Mr. Chairman, has the witness any figures which will show the percentage of occupancy of beds in camp hospitals? By that, we might get at whether there are sufficient hospitalization facilities, or whether we need more hospital facilities in the camps.—A. I could get that for you. I have not got those figures here.

Q. You can get them? Thank you.

By Mr. Harkness:

Q. I have another question. You say that base hospital facilities are all provided by the Department of Veterans' Affairs.—A. By the Department of Veterans' Affairs in Canada.

Q. What then is the set-up at Chorley Park? They have a surgical set-up, have they not? Who does the hospital work there, in the way of surgery and so forth?—A. Chorley Park is a continuing establishment, basically a training establishment for army doctors. There is some base hospital work done there. That is correct. But it is more of an arrangement for the training of our doctors under army auspices than it is for actual hospital service.

Q. Have you any other hospital outside of Chorley Park which does hospital work as a training program?—A. There is a naval hospital at Halifax, and a naval hospital at Esquimalt where some major surgery is undertaken. Some major surgery is done at Rockcliffe here. And there are probably others which I cannot recall at the moment.

By Mr. Sinclair:

Q. Where would the R.C.A.F. doctors get their training in aviation medicine now?—A. At the institute of aviation medicine in Toronto.

By Mr. Harkness:

Q. I presume that these institutions such as Chorley Park are used to their full capacity?—A. Yes.

Q. In other words, the only cases you would send to the Department of Veterans Affairs hospitals would be cases that you could not handle at Chorley Park, Esquimalt, or Halifax?—A. They would be an over-flow.

Q. Would you say that there was any loss of money in running those institutions which are not run to capacity?—A. We hope not.

By Mr. Fraser:

Q. Do you train chiropodists at those training hospitals in the army?—A. I do not know that. I would have to find out for you.

Q. In the last war, chiropodists were taken into the army at the rank of sergeants. They wanted to get in as officers, but they could only get in as sergeants. They were found to be very useful, I understand. And now they have to have some three or four years of training in a chiropodists' college. There

is none in Canada and I wondered how they were trained, or if you had any in the services?—A. I regret to say that I do not know.

By Mr. Harkness:

Q. Is there any base hospital work done in respect to surgery at these permanent military hospitals, or is it purely a surgical training program?—A. Well, I may perhaps be getting a little out of my field here in that I do not know all the elements of training of a medical officer. I would have to consult them to answer your question.

Q. The reason I asked that is that my next question would have been: If it is purely surgery at those places, where do the defence forces' doctors get their training, apart from surgery?—A. I am not sure what the training is apart from surgery. They come in trained as M.D.'s. There is some post-graduate training given to doctors in the armed forces at assorted educational institutions such as the University of Toronto and in some instances at universities in the United States.

By Mr. Fraser:

Q. What about dentists? Are they trained there too?—A. Dentists come in as trained dentists. But there is also some post-graduate training given to dentists.

Q. What about dentists' technicians? Those are the people who make the plates and so on. Are they trained there too?—A. I am not sure.

Q. Because that is quite a trade now.—A. I am not sure how they are trained, to be quite frank. But I would imagine that dentists' technicians would be taken on, in so far as possible, as trained men.

By Mr. Thatcher:

Q. Mr. Chairman, I wonder if Mr. Drury could elaborate as to the degree of consolidation there has been between the three services in the field of education, communication and public welfare. Perhaps he would be good enough to start with education.—A. The department currently operates two service colleges, one at Royal Roads, and one at Kingston, the R.M.C. at Kingston. These are completely tri-service institutions. The commandants are rotated periodically as between the three services. The military staffs are composed of army, navy and air force officers. And the curriculum followed by the cadets proceeding into each of the three services is the same.

There is specialization in the service when they have selected the service of their choice. They are given training during the summer. For instance, a lad who goes to R.M.C. and "opts" for the army, follows during the course of the academic year, from September until April, precisely the same curriculum as candidates for the air force or the navy. But when the academic year is finished, he will proceed to an army training center, to do his professional training during the summer, his special army training. The same is the case for the air force and the navy. In this way there is a common grounding in the basic elements of education for officer candidates for all three services. These are completely integrated institutions, I mean the tri-service colleges.

By Mr. Sinclair:

Q. What about the next level, the training of fitters, riggers, and radar mechanics for the three services?—A. In these trades the training is done on a service rather than on a tri-service basis. The training is highly specialized and it has not been found practical to try and give the same courses to a naval engineer as would be required for an air force engineer, or for a rigger or fitter.

By Mr. Croll:

Q. What do you do after you get out of the specialized class? Let us talk about recruits who are newly attested and in the army. What do you have in respect to education for these people in any one of the forces?—A. In the army, general education is largely a matter of option on the part of the individual. Correspondence courses are made available to him so that he can proceed to acquire a higher academic qualification than he currently has.

Selected individuals, who are chosen to be officers, are sent at the expense of the army to educational institutions to acquire the necessary education, the formal educational qualifications in order to become officers.

Q. I am not talking about that now. What I am interested in is the recruit who is now at one of our depots. In each one of the services, what facilities are made available for him to acquire some further education.—A. In the case of the army and the air force, as I say, it is limited to correspondence courses which will be done by the recruit in his own time, or even beyond the stage of his being considered a recruit.

But in the case of the navy, academic training and education is provided by educational officers in the three R's, if you like, arithmetic, algebra, and those other subjects, with a view to meeting the demands of educational standards.

Q. Why do you limit it to the navy?—A. I was just trying to think of a basic reason. The navy has had this policy for a long while. They have found it necessary because the navy, historically, had a much lower age of entry than either the army or the air force.

Q. At the end of the war we had educational officers attached to various units, groups and divisions. They did quite a commendable job. But if they were dropped, why was it done? Would you be good enough to look into that question?—A. That is something I would hesitate to answer off-hand.

Q. Very well, do not answer it now. But will you please enlighten the committee on that point. I think we would all be interested.

Mr. SINCLAIR: It might be because of economy.

Mr. CROLL: That is not very good economy, Jimmy!

By Mr. Harkness:

Q. With respect to specialized training, what is your set-up at the present time? Take driver-mechanics, motor mechanics. So far as the vehicles are concerned, does each service operate a separate school to train its driver mechanics and motor mechanics, or do you have the one school?—A. Each service operates its own schools, generally speaking, for this purpose.

Q. Does each service have one school in which its candidates are trained, or does each service have a number of schools?—A. It depends on the particular trade concerned. Driver mechanics are so numerous, and their use is so widespread that it would be uneconomical to have one central school and bring people from both coasts to that centre and then send them back. The course is so elementary that it does not require anything elaborate in the way of plant, nor does it require people specially highly qualified in the way of instructors. It can be and it is done locally. It is more economical.

Q. What about motor mechanics?—A. In the case of motor mechanics, there is only a difference in degree.

Q. My point is to find out whether a situation of this kind exists within each service, whether you have a school for motor mechanics and bring people to it from all parts of Canada, rather than to have motor mechanics from all three services go to, let us say, to a school at Esquimalt, B.C., or to another one, let us say, at the Currie Barracks, or at Shilo or Winnipeg and so on.—A. No service has a single central school for motor mechanics. If that were the situation, I would certainly agree that the thing to do would be to have

these motor mechanics given instruction by the service at a central school which was close to the point that the applicant found himself, or rather the trainee.

Q. Is the reason for it being done that way in order to save travelling expenses and so forth?—A. We have not got only one motor mechanic school. As I say, the training of motor mechanics is done locally.

Q. It is done by each service. In other words, in Calgary, for example, you would have three schools for motor mechanics, probably?—A. Except that the navy has not got one there at all.

Q. Then where would the navy people go for such training, in a case like that?—A. I doubt if the navy has a motor mechanic on its establishment there.

Q. But they have several vehicles. I would think they would need a motor mechanic.—A. I will have to ascertain what the situation is in Calgary. I do not know.

Q. The reason I brought this up is that I would think that is one place—and there must be many others—where certain savings would be made. The training of a motor mechanic should be the same in one service as in another. There seems to me to be a great deal of duplication of effort in things along that line which could easily be consolidated, and which would result in a possible saving of a very considerable amount of money.—A. Well, the saving might be something which might be said to be more apparent than real. In the case of Halifax and the larger centres, I am quite sure that the army trains motor mechanics, and the navy also trains motor mechanics; each has its own school. It is possible, however, to carry this out on a service basis by reason of the fact that each of these services has very large permanent establishments covering a wide range of activities, and the element of overhead involved to look after the training of motor mechanics is not very considerable. Now, if you take a naval training establishment and move it over into the army you would only be turning them over from one unit to another unit right across the street.

Q. On the other hand I venture to say that any motor mechanic the navy wishes to have trained they would not train him at the Calgary station but would send him out to Esquimalt instead of taking them a mile and a half across the city to Currie barracks.—A. If the only training this man requires is that of a motor mechanic that might well be the case; but even if he pursued such a course he would still require a lot more in the way of specialized training for the branch to which he belonged.

Q. Well, in this matter of motor mechanics, would not the training be the same in all three of the services?—A. It would be, but what I am suggesting is that a motor mechanic—or rather a man at Calgary who wants to be a motor mechanic—by being sent to Esquimalt will acquire at Esquimalt more than merely the qualifications of a motor mechanic.

By Mr. Croll:

Q. Mr. Drury, you have in the three services probably young people who come in and possibly never had jobs or positions before they entered the services, is that so?—A. Yes.

Q. And when you have those young men in there you train them for something which will fit them for civilian occupation when they finish with the army?—A. We have that in mind.

Q. What I mean is, have you not gotten a little beyond that? Isn't that a rather important aspect of it too?—A. Well, generally speaking, we are hoping that men who go into the armed services would make a career of it, and that when they completed their term of engagement and proceed back to civilian life their status would have been improved by reason of service. In most instances they would have acquired skills—I think skills is the word—

something which would enable them to contemplate being fully employable. And they would also have acquired a satisfactory philosophy of life as the result of being in the service. I think your question is directed to the extent to which their formal education has been proceeded with during that period.

Q. That is more than formal education. I am thinking of some technical skill.—A. Well, almost everybody who goes into the service does get technical training. There are very few who do not.

Mr. SINCLAIR: Take an infantry man, what technical training does he get?

Mr. HARKNESS: Well, he might be made a good motor mechanic.

The WITNESS: If he goes into the infantry and remains with it about the only skill that he would acquire would be some mechanical knowledge about the weapons with which he has to deal and which are very complex; and if he had the ability, training as an instructor.

By Mr. Croll:

Q. But if he leaves after his term of service expires, do you do anything for him which will enable him to get a fairly good job, one that he would be useful at? What I mean by that is, do you train men as carpenters, bricklayers, mechanics—motor mechanics as Colonel Harkness says—those are the kind of people we need in Canada, and they have to think of the time when they are going to leave the army. What are you doing in that direction?—A. As you know, Mr. Croll, the army is frankly short of technicians, and we have recognized that it is going to be very difficult indeed to recruit into the service sufficient trained technicians to fill service requirements. There are all these various trades. The service is becoming more technical daily. To meet this need there are training establishments, substantial training establishments set up to give those who show aptitude and ability an opportunity to acquire skill. I must admit that we are doing this primarily for selfish reasons. We need these tradesmen and we are prepared to take lads who have no technical training or skill at all and give it to them; but we do it primarily for our own benefit. We would hope that having acquired these skills they would stay on with the services, but some of them do not because of the fact that opportunities in civilian life are much more attractive to them. But we are still short of the total number of technicians and tradesmen who are required, and any man coming into the service who has the aptitude and the desire—and that is necessary—the desire to acquire a skill is taught it.

Mr. BROWNE: Does he do that work in addition to his ordinary duties?

The WITNESS: No.

The CHAIRMAN: I think the point Mr. Croll had in mind was the publicity appearing in the papers advising men to enlist and learn a trade, stressing the point that they will qualify themselves for a career, which will enable them to acquire training which will later be of great value to them. I think Mr. Croll has raised a point which it might be worth while for us to study.

Mr. CROLL: Let me just follow that up for a moment. How many schools have you available for the training of, let us say carpenters, bricklayers and so on, at the present time; and, what percentage of your people do take that training?

The CHAIRMAN: To carry that one step further might we ask the witness if he could give us more details by outlining for us what is being done in respect to training, more particularly with respect to training people for return to civil life. I submit that might be the subject of a further report at a later date.

Mr. SINCLAIR: I would like to ask a question regarding the training given men along educational lines in the army, the navy and the air force. The man who goes into the navy after all acquires some skill as a tradesman. In the

navy he becomes a very well qualified seaman. The man in the army would become skilled in taking apart the weapons he uses, but I fail to see how skill in that particular field is going to be of any help to him when he returns to civilian life. Take flying men. A man who enlists for a term of five years—what they call a short term commission—as a pilot learns to fly aircraft, but flying aircraft is not very valuable to him in civil life, unless he happens to connect up with an air service. But take the case of most of these young men, they go in at about age 20 and in five years or so, when they are around 25, they expect to go back to civilian life and get a job. It seems to me that it is an important matter to have these educational institutions in the services. I think we should have an officer here to see how that program is getting on as far as the army and the air force are concerned.

Mr. FRASER: A short time ago there was a recruiting campaign which had a slogan: "join the air force and learn a trade". Primarily the thought in mind was that by joining the service a young man would learn a trade which would be useful to him in civilian life. Is that not so?

The WITNESS: I think, generally speaking, that is true.

Mr. CROLL: Is that not the object of such a campaign, to assure Canadian people that by joining the service their boys are going to get training—perhaps it applies to girls also—that would fit them for civilian life, for life outside the army when they finally leave the army. Isn't that the basis for recruiting?

The WITNESS: Well, if things go according to plan, the man enters the army and leaves it with a pension.

Mr. THATCHER: In many cases, Mr. Chairman, a lot of the lads joined the army in response to this advertising—join the army and learn a trade—and then they were sent to Korea and they were very unhappy about it.

The CHAIRMAN: I think it would be advisable for the committee to have more information on the educational angle as far as servicemen are concerned. We could leave that over for a further meeting when more details can be made available.

By Mr. Thatcher:

Q. I wonder if Mr. Drury could tell us what education a recruit must have to join the army today, general education? Do you require a certain basic education?—A. A high school leaving at the present moment.

Q. A high school leaving—I just don't understand that—oh, you mean he must have finished high school?—A. Yes.

Q. Has that been lowered since Korea?—A. There has been a general lowering of that standard since the end of the war.

Mr. BROWNE: Is it not the same for all the services?

The WITNESS: No.

Mr. HARKNESS: Has it been lowered recently?

The WITNESS: In the current year, yes.

Mr. THATCHER: What has it been lowered to now?

The WITNESS: I will have to get the precise qualifications for you. I will do that.

Mr. THATCHER: Can you tell me now, Mr. Drury, about this matter of public relations—

Mr. HARKNESS: Just a moment, I want to ask a question about the matter which was being discussed a short time ago, recruiting and trade training. Has the department ever made a survey to see if there was any possibility of avoiding

duplication of training schools and cutting out a lot of competition between the services in this respect?

The CHAIRMAN: May I say that that also is a question which might be brought forward at a later meeting. It is a very pertinent question, but one which might involve a little more in the way of time in the preparation of an answer.

Mr. HARKNESS: Does the witness want to answer it now?

The WITNESS: No special survey of the type you mention has to my knowledge been undertaken.

Mr. HARKNESS: Do you think it would serve a useful purpose to undertake it?

The WITNESS: That type of examination is constantly going on in the general direction of economizing. Whether a survey devoted to that particular point would uncover anything we do not know I am not so sure. I will look into it.

By Mr. Fraser:

Q. There were some boys whom I know who joined up with the understanding that when they went into the army they would be trained as trade technicians, as mechanics or technicians at other trades, and after they got in they discovered that all they did was drill. Now, is there any rule on that at all, about their training? The recruiting officer in this case told them that they would be trained as tradesmen, and they were not.—A. Do you know for how long they drilled them?

Q. I understand they never got any further than their drill.—A. Do you know how long ago they joined the permanent force?

Q. That would be three years ago.—A. If they desired to become technicians and joined three years ago and have not yet received technical training I would suggest—I cannot say for sure without knowing the particular case—but I would suggest it was discovered that they had not the aptitude to take on that type of training. The mere desire to become a tradesman is not enough, you must have some fundamental ability and capacity to acquire it.

Q. But they were never put in any place to train, they never had any opportunity to train, or even to try it.—A. I think probably they would have received aptitude tests. These have turned out to be a very accurate way of assessing—much more accurate than the old system of trial and error—a man's capabilities.

Q. Well, if they failed their I.Q. test for one kind of a trade why were they not given a test on something else?—A. I would think they would have been.

Q. No.

Mr. CROLL: Excuse me, just a moment, Mr. Fraser; you referred to an I.Q. test while Mr. Drury was referring to an aptitude test. There is quite a difference between the two and I think we should not get them mixed.

Mr. FRASER: All right, an aptitude test then.

Mr. CROLL: That is right.

Mr. FRASER: I know a radio technician who is one of the highest paid men in the field and he states that he never got any further than the third grade, but it may be that he is an exception.

The WITNESS: That, I think, is the type of case which one very often comes across. Mr. Croll pointed out the difference between an aptitude test and an I.Q. test, that they mean different things. A man may be a complete failure in school but still be shown by an aptitude test to be a first class electrician. It affords an opportunity to determine the likelihood of success.

By Mr. Fraser:

Q. What I am getting at is this, that if they give a man an aptitude test on a certain subject and find that he is not qualified in that field I think they should then test him in a similar way in regard to other things to see if he would be suitable some other place. For instance, if he was not suitable to be a carpenter he might be found to be suitable to train as an electrician, a plumber or something else.—A. Yes, and I think that would have been done, but not knowing the circumstances of the individual case it is very difficult to do anything but generalize.

Q. This man tells me that he was always asking his officer: When am I going to get a chance to try this? And the officer would tell him: Oh yes, you will get your chance next week; but the chance never came. While we are on training I would like to ask you this. In the report of the Department of National Defence on page 16 is a report on joint services training film bureau, and it says:

During the period under review, the formation of the Joint Services Training Film Bureau, as agreed upon by the Chiefs of Staff Committee in 1947, was completed and now operates as one unit service Navy, Army and Air Force.

Would you be able to tell us as to the way this unit is set up, whether it works with the National Film Board, or how does it work? Does it duplicate the work of the National Film Board?—A. I would say this, that the joint services training film bureau is a library, a holding unit for training films and the distribution of training films to the three services. They also assist in the preparation and outline of script for training film which is of a technical nature and which the Film Board would not be competent to do. The actual production of the training film, that is its processing and so on, is done by the Film Board.

Q. They do that?—A. The Film Board do that.

Q. The processing is done by the Film Board, but the taking of the pictures is done by the army, by the navy or the air force?—A. No, in the taking of the picture in so far as it is a staged picture, that is done by the Film Board. On occasion service photographers will take shots of training or base operations being carried on at different places in Canada, and this is part of the raw material the Film Board use in making up the final film.

Q. I understand there was something said in the House of Commons that some of the films are taken by the services and processed by the navy, the army or the air force, and the Film Board comes into control once they are taken. Is that right?—A. This year that was the case with some of the films.

Q. That is not the case now, or is it?—A. No, that is not the case now.

Q. Do the services have a storage place for these films or are they stored with the National Film Board?—A. They have a storage place for the film, there is a library.

Q. Where is it located?—A. At National Defence headquarters.

Mr. THATCHER: Can I get on to public relations now, Mr. Chairman?

The CHAIRMAN: Yes.

By Mr. Thatcher:

Q. Can you tell me if there is one public relations service for the whole of your department or does each branch of the service have its own public relations man?—A. There is a director of public relations, a civilian, with responsibility for the public relations effort of the department.

Q. But which department is it?—A. The Department of National Defence.

Q. Oh, I see. Do you keep a separate personnel in each of the three services doing public relations work?—A. There are people in each branch of the service doing public relations work.

Q. Would you not be able to save money if you had it all under a central public relations branch?—A. We have one.

Q. You have a director?—A. A director and a directorate, which is the central office. There are people in each of the three services who are doing this because it is more convenient administratively and more satisfactory to have them located with the service, with the army, for instance, with whom they are more intimately in touch. It is better to have them in close touch rather than in an office in another part of the building.

The CHAIRMAN: Do they report to the director?

The WITNESS: They are responsible to the director of public relations.

By Mr. Thatcher:

Q. You feel then that the department has consolidated that branch as much as is feasible at the present time?—A. That is correct.

Q. The minister went on as follows:

A third set of services in respect to which there will likely be a high degree of consolidation, will be those having to do with supply, food, transportation, transport, clothing, accommodation, depots, etc.

I understand that in the old German Army they had what was known as a Todt organization to do with supply. I understand that in Britain they had a British Labour battalion; and I understand that the Americans have a separate supply branch. I wonder if we could not save money in our own services by having some kind of similar group. It could do all the work for the three services in a particular branch, let us say, with respect to motor repairs, which we were speaking about a moment ago. Has the department considered that at all?—A. Perhaps I should say that I do not entirely subscribe to your suggestion that the Todt organization was responsible for supplying the German army. It was a labour organization, of pioneers.

Q. But did they not look after the supplying of food and that sort of thing?—A. No.

Q. Did not the German army have some organization of that kind which they called a supply organization?—A. They had an organization which was the equivalent of the quartermaster general's branch, the chief duty of which was to take care of supply.

Q. In the forces today, in the army, have you not got men who are doing the same work of supply as men in the navy and air force? Is there not duplication which could be eliminated if there were a single supply corps for all three services?—A. I do not think so. The men in the army and navy are doing the same work in respect to supply. They are doing a full time job, in respect to the volume of supplies and the number of people they have to supply and so on. And if you were to consolidate them, you would still have to have enough people to handle the physical volume of work.

Q. Suppose you had a supply corps. Would you not then be able to release men who are now doing that sort of work for more active duty, and bring in people of class D or E category, let us say, to do work of that kind?—A. It would be possible to have two categories of men in the armed forces, one for general service and another for limited service. The limited service ones would have a lower category.

This is the device to which, generally speaking, all countries resort in times of war, when the manpower shortage becomes stringent. The ideal of course is, in so far as possible, to have everyone a general service man who can be used anywhere in an emergency, and who is not limited in his employment.

Q. Are you taking in men of that kind at the present time? I mean, men of lower than grade A category?—A. In some highly specialized occupations, where we are unable to get in general service men of a high medical category.

Q. You are trying to get more men, if that is the case. So I cannot see why a force of these men, which could use lower category men, would not result in the release of men for fighting or for more active duties.—A. The removal of manpower from the civil economy would still be as great.

Q. Do you mean to tell me that? Take the matter of food in each of the three services. You have separate corps, have you not, looking after the food for the air force, the army, and the navy.

Mr. SINCLAIR: Not the air force.

The WITNESS: I am not sure that I would say they are a special corps. They are a special branch of the army which looks after food and supplies, generally.

By Mr. Thatcher:

Q. Why would it not save the taxpayers' money and be just as efficient to have one central group buying the food for all the three services?—A. It would, and that is done. I tried to make that point the other day. When it comes to procurement, it is economical to have a central and single buying agency. And we have that.

Q. Yes?—A. These people in each of the services are concerned with working out requirements, the formalization of requirements, and the consolidation of a whole lot of individual requirements. The same people in the other direction are concerned with the distribution of what is procured.

Now, to lump them all together is merely to establish at the top of a pyramid a master overhead. The only elimination would be of people who were not doing a full day's work.

By Mr. Croll:

Q. What you are saying is this, is it not: that if there are cheese requirements for the three services, they are sent to a central branch, and the central branch buys the cheese, and sees to its distribution?—A. That is correct.

Q. Yes. They would buy all the cheese and then distribute it as required amongst the services.—A. That is right.

Q. The services alone do not make the purchase?—A. That is right.

Mr. BROWNE: But that is not practical. The army, navy and air force are spread all over Canada. How can they buy like that? Take St. John's, Newfoundland, for instance. You do not send cheese there. St. John's would not have to send to Ottawa first and ask them to buy cheese?

The CHAIRMAN: They make their requisitions ahead of time.

By Mr. Browne:

Q. But not for everything?—A. It is not the case, of course, with fresh vegetables. I have in mind bulk staples.

Q. How about tinned goods?—A. Tinned goods, they can, bread and fresh vegetables must necessarily be purchased by local contract.

By Mr. Thatcher:

Q. You have got in each of the forces a certain number of men looking after food. I know that you do not buy it all. You have to requisition it and they send it on to you. But every department has men whose special job it is to do that work. I am merely using food as an example. I do not understand why there would not be economy effected if there were only one branch which purchased for the three departments, or at least looked after the requirements of the three departments?—A. Well, I wonder if I can find a simple example for you. If there were only two stations in the army, two stations in the air force, and two stations in the navy. This is merely hypothetical and probably over-simplified. Then at National Defence headquarters, the army man whose

job it would be to take care of the requirements of the two army stations as to their food, would consolidate the requirements of the two stations into an army food requirement. The same would be done by the man for the air force in respect to their two stations; and the same would be done with respect to the man in the navy in respect to their requirements.

Now, if I understand you correctly, you would suggest that these three service requirements should be further consolidated within the department into one single requisition and have it sent over to the Department of Defence Production. Is that correct?

Q. Yes.—A. You would then have an extra operation with somebody in the department consolidating those three individual services into one. It would mean a step which we do not now take and one which we have not so far found to be necessary.

Q. Well, militarily speaking, you may be correct. But in a business way I cannot see it. Let us take ordnance now. What do you do with ordnance? Have you got a separate ordnance corps for each service?—A. They are separate, and they go by different names; there is a separate ordnance organization for each service.

Q. Will you please tell me why it would not be possible to consolidate them into one central branch?—A. It would be possible but the functions of each of the service ordnance organizations is so different that generally you would have to have all the people you have now plus additional people, to supervise the organization and to handle and co-ordinate all three.

Q. I find it difficult to understand. I suppose you may be correct.

Mr. SINCLAIR: Suppose? He is!

By Mr. Thatcher:

Q. And what about the pay corps? Have you got a separate pay corps for each service?—A. We have separate pay services in each service, not a pay corps. There is no pay corps in the navy and there is no pay corps in the air force. But there is a pay corps in the army.

Q. Technically you know what I mean. Is there any way of consolidating them?

Mr. SINCLAIR: How can you?

The WITNESS: The pay corps in the army consists basically of paymasters and such assistants as they require with units. Their job with a unit is to pay the men, keep the records of their entitlements and of payments made to them.

Now, that requirement and the means of filling it are in no way going to change by reason of any consolidated organization. The number of men required will be precisely the same. Would you not agree with that?

By Mr. Thatcher:

Q. Oh, yes.—A. Then there are at intermediate levels men whose job it is to consolidate the work, the records and so forth of the various units.

By Mr. Harkness:

Q. You mean the command paymasters?—A. The command paymasters. And if you were to have a consolidation of the whole pay organization, you would still require that intermediate consolidation. Would you agree to that?

By Mr. Thatcher:

Q. Yes.—A. Now, you can do this consolidation of the units on a regional basis. Let us say Halifax. The units there would be consolidated. Then all the regions in eastern Canada would be consolidated in eastern Canada under a regional arrangement. And there would be a further and final consolidation at Ottawa, that is, under a unified corps.

But instead of doing it on a regional basis, we do it on a service basis. The consolidation of these accounts, entitlements, and records is done by each service rather than by each region. But the number of people required to do it under one arrangement or the other is, I suggest, precisely the same.

Q. Could I go back a minute? What about Britain and the United States? Can you tell me if it is done the same way there? I understand there is a separate supply unit for all the forces in those two countries. Is that correct or not?—A. I do not think that is correct.

Mr. SINCLAIR: In wartime in the air force we did our recruiting quite apart from the army service, in depots of our own. Is that the same today?

The WITNESS: That is exactly the same today.

By Mr. Croll:

Q. What about food for the three services; is it the same for all three services?—A. The food is the same for all the three services in so far as conditions of service allow. But, for example, during the months of August, let us say, troops at a camp are getting fresh vegetables every day; but it is quite impractical for men serving in a cruiser on the Pacific to have fresh vegetables every day. However the scale of entitlement is the same for each service.

Q. And the details are the same?—A. Yes.

The CHAIRMAN: With respect to the consolidation of the services, could we not also take into consideration the fact that an army is not like a department in Ottawa or like a company operating at all times at a certain point. Rather, an army must be flexible and movable of necessity. It must have flexibility in the ordering of things as well as with respect to paymasters and so on. It must be entirely different from the case of a company, let us say, which is immobilized and which is stationed at one place permanently.

Mr. THATCHER: I understand that, Mr. Chairman, but most laymen in Canada simply cannot understand how, just after spending \$400 million, or whatever it was, that three months after, when Korea came, we had so few men active to put in the field.

The CHAIRMAN: You are entering upon a different question now.

Mr. THATCHER: I am trying to see if perhaps there is not some duplication or something of that kind. I hope that before this committee is through we can find out the reason for it.

I suppose that I am more bewildered than most people. I am just bewildered on this question that everybody is asking. It occurred to me that if we had this supply organization, we could use lower category men in it, and thereby release more men for active duty, and at the same time eliminate duplication in the department. But as Mr. Drury says, it is not feasible.

The CHAIRMAN: It is said of the Russian army that out of every ten men in that army, seven can be in the field at all times, with only three not in the field. On the other hand, it is said of the American army that six or seven out of every ten are needed to keep three in the field. It may be that we could take a lesson from the Russians in that respect.

The WITNESS: I think that the proportion of men in the Canadian services in the field to those supporting them is higher than in the United Kingdom or in the United States; I mean the number of men in the field in relation to those supporting them.

By Mr. Thatcher:

Q. Do you have any statistics which you could give us to bear that out?—A. No. I can only produce general figures because this is obviously a matter which is governed by the organization of the fighting forces of those two countries. Thus it is not something which should be disclosed.

Mr. SINCLAIR: Would not this problem of the low category men be partly solved by the hiring of civilians as the navy do?

The WITNESS: And the army and the air force.

By Mr. Croll:

Q. They are all doing that?—A. In the depots we do employ a large number of civilians. In static installations there are a number of low category jobs.

Q. Are the Americans not following the suggestion made by Mr. Thatcher, and using low category men for static jobs too?—A. They are.

Q. One more thing: will you at the next meeting, or as near thereafter as you can, bring us some information on how you are reducing the pack on the back of the infantry man? Will you tell us what you are doing about it at any rate?—A. That is quite a problem.

By Mr. Harkness:

Q. In respect to the matter of public relations with which we were dealing briefly a little while ago, can you say how far down these public relations officers go in the various services?—A. What do you mean?

Q. How far down? How many of these public relations officers are there? I do not mean the exact number at the moment—probably you have not got it there—but generally speaking, to whom are they supplied?—A. The people so classed go down to the commands.

Mr. SINCLAIR: Are they civilians or service officers?

The WITNESS: Service officers, generally speaking.

By Mr. Harkness:

Q. You say they go down to commands. I take it that is for the army and the air force. What do they go down to in the navy?—A. Commands. For example, take Calgary. There is no officer as a public relations officer there. But there is an officer who, among other things, has to concern himself with that subject, and that would be in addition to his normal duties.

Mr. FULFORD: On a part-time basis?

The WITNESS: At the command they are on a full-time basis.

Mr. FRASER: And would that apply to headquarters as well?

The WITNESS: Yes, sir, at National Defence headquarters.

By Mr. Harkness:

Q. How much staff would each of these command PRO's have?—A. It varies from one type of stenographer to an assistant. I would have to get the figure on that for you.

Q. I think we perhaps should have some figures on that. And further, what useful function really do these PRO commands perform?—A. That is a question which probably could be better answered by the press, than by me. As probably most members of Parliament know, it is a fairly exacting job to keep the public acquainted with what these services are doing and to answer inquiries from the public and from the press as to what is going on.

By Mr. Fraser:

Q. It says in the annual report, in paragraph 70 on page 17:

Publicity for national drives such as recruiting, Army Week, Air Force Day, etc., or any special military display or exhibition, are part of the directorate's work. Other activities include an Army Weekly News Letter and Comrades in Arms, a column introduced in 1950 for weekly papers.

Do these men also prepare the radio programs, or is that done by the Department of National Defence?—A. That is done centrally.

Q. Are they trying to improve those setups?—A. Continually.

Q. They are bad as compared with the American programs.

Mr. CROLL: They do not cost as much, either.

Mr. FULFORD: I do not agree that they are not as good.

Mr. FRASER: They have a bigger coverage in the States.

Mr. SINCLAIR: They are more economical up here.

Mr. FRASER: I have heard that statement before. I wondered about it. The Americans on their recruiting broadcasts generally have in their music something that is really catchy.

The CHAIRMAN: We might appoint a musical director.

Mr. THATCHER: You probably have one.

Mr. FRASER: On the radio if the program is not catchy, it is going to be turned off. I think that everything possible should be done to make those programs snappy.

Mr. SINCLAIR: It would cost a lot of money.

Mr. FRASER: What is the difference?

The CHAIRMAN: That is a statement to be put in the record.

Mr. FRASER: I think it is a lot better to spend \$10 and have results, than to spend \$1 and have no results.

The CHAIRMAN: That statement deserves to be put into the record.

By Mr. Harkness:

Q. What is the rank of these command PRO's?—A. It likewise varies; but it averages out as a captain in the army, or the equivalent.

Q. I have never seen any of them below the rank of a major, and some are lieutenant-colonels.—A. Do you recall where a command PRO is a lieutenant-colonel? I would be glad to look into it, if you can.

Q. Also, as to the functions which those PRO's perform, it seems to me, in my observation, they could be performed by G2's or G3's in addition to a lot of other duties which G2's and G3's perform, more or less in the way of giving information to the press of what the army is doing and things of that sort. I must confess that I have never been able to see the necessity of maintaining an officer whose sole duty it was to give notice, let us say, to the press at a command headquarters.—A. Well, I must of course repudiate the implication that the G2's and G3's are only partly occupied men, and could do that work in addition to the other duties which they perform. That is not so. It would be entirely possible to designate these PRO's, G2's or G3's as to this matter, but I think that such a policy would lead to confusion.

Q. My point is this: I would like to have some proof that these PRO's are fully occupied and are producing something valuable, something which justifies their existence.—A. Well, I can produce for you a statement of their duties. I can take a sample one and record all his accomplishments or the things he has done in a given period just as a sample.

Q. Take a place like Edmonton where you have a command army headquarters and a command air headquarters. I presume there is a PRO there for each one?—A. That would be correct.

Q. Along the time that Mr. Thatcher was talking about, the co-ordination of these things, it would certainly seem to me that one officer could quite readily discharge the public relations function for both the army and the air force in a case of that kind.—A. It would mean just as in the consolidation of recruiting stations, a diminution of effort in that direction or, as is more likely to be the

case, a loading of other duties, those concerned with public relations which these officers have, on to some other officers who already have fully occupied time now.

By Mr. Croll:

Q. Do you consider them to be essential?—A. We consider them to be essential.

Q. You say you consider them to be essential and from the work which they do you are more than ever firmly of the opinion that you do require them?—A. That they are needed.

Q. Fully employed?—A. And further, that they are fully employed, yes. Their time is fully employed. Now, if there is to your knowledge a PRO in any command who is idle, I would be delighted to hear about it, and so would the minister.

Mr. HARKNESS: I am trying to get the information.

The CHAIRMAN: I do not think we have a quorum at the moment.

Mr. THATCHER: I wonder if Mr. Drury could tell us what the status of the chaplains is? Are they like the dentists, all in one group, or are they like the medical men in the three services?

Mr. CROLL: I think the witness has already answered that question.

The WITNESS: There is a separate chaplain service for each service.

Mr. CROLL: And he gave the reasons for it.

The CHAIRMAN: The committee now stands adjourned until Thursday.

At 12.55 p.m. the committee adjourned until Thursday, April 26, 1951, at 11.00 a.m.



SESSION 1951

HOUSE OF COMMONS

Government
Publications

STANDING COMMITTEE

ON

PUBLIC ACCOUNTS

CHAIRMAN — MR. L. PHILIPPE PICARD

MINUTES OF PROCEEDINGS AND EVIDENCE

No. 8

Thursday, April 26, 1951

WITNESS:

Mr. C. M. Drury, C.B.E., D.S.O., E.D., Deputy Minister of National Defence.

OTTAWA
EDMOND CLOUTIER, C.M.G., O.A., D.S.P.
PRINTER TO THE KING'S MOST EXCELLENT MAJESTY
CONTROLLER OF STATIONERY
1951

ORDER OF REFERENCE

THURSDAY, April 26, 1951.

Ordered,—That the name of Mr. Macdonnell (*Greenwood*) be substituted for that of Mr. White (*Hastings-Peterborough*) on the said Committee.

Ordered,—That the name of Mr. Weaver be substituted for that of Mr. Maybank on the said Committee.

Attest.

LÉON J. RAYMOND,
Clerk of the House.

MINUTES OF PROCEEDINGS

THURSDAY, April 26, 1951.

The Standing Committee on Public Accounts met at 11 o'clock a.m., the Chairman, Mr. L. Philippe Picard, presiding.

Members present: Messrs. Anderson, Ashborne, Benidickson, Boisvert, Brisson, Browne (*St. John's West*), Campney, Cauchon, Cavers, Fleming, Fraser, Fulford, Fulton, Gauthier (*Portneuf*), Harkness, Helme, Kirk (*Digby-Yarmouth*), Larson, Major, Maltais, Nowlan, Pearkes, Picard, Richard (*Gloucester*), Richard (*Ottawa East*), Riley, Robinson, Sinclair, Thatcher, Warren, Wright.

In attendance: Mr. C. M. Drury, C.B.E., D.S.O., E.D., Deputy Minister of National Defence.

The Committee resumed consideration of the Public Accounts relative to the Department of National Defence for the fiscal year ended March 31, 1950.

Mr. Drury tabled the following statements which are printed as appendices to this day's minutes of proceedings and evidence:

Appendix A: National Defence Headquarters—Service and Civilian Strength.

Appendix B: Personnel at National Defence Headquarters engaged in the Preparation and Processing of Requisitions.

Examination of Mr. Drury was continued.

Mr. Fleming moved that Mr. Drury be asked to bring to an early meeting of the Committee a report of property, equipment and material previously declared surplus and sold by the government agencies and re-purchased by the Department of National Defence since March 31, 1950.

A point of order having been raised that the Order of Reference to the Committee precluded any consideration of transactions which have taken place since March 31, 1950, the Chairman ruled that the point was well taken and the motion out of order.

And the Chairman's ruling having been challenged, it was sustained, on division.

At 1 o'clock p.m. the Committee adjourned until Tuesday, May 1, at 4 o'clock p.m.

ANTOINE CHASSÉ,
Clerk of the Committee.

MINUTES OF EVIDENCE

HOUSE OF COMMONS

APRIL 26, 1951.

The Standing Committee on Public Accounts met this day at 11 a.m. The Chairman, Mr. L. Philippe Picard, presided.

The CHAIRMAN: Order, gentlemen.

Before we proceed this morning with further evidence Mr. Drury has some answers to questions which were asked by Mr. Fleming and other members of the committee, at the last meeting and at the one previous to that. I will now ask Mr. Drury to give the answers to those questions.

C. M. Drury, Deputy Minister, Department of National Defence, called:

The WITNESS: Mr. Chairman, I think the first question is one by Mr. Fleming as to service and civilian strength at National Defence headquarters by years, with the last year broken down in quarters. If you are interested I might read you the overall figures. There is considerable detail in this report. Otherwise, I will table it with the committee.

The CHAIRMAN: Would that be agreeable, that we have it tabled and published as an appendix in today's proceedings?

Mr. FLEMING: What is that statement, please?

The WITNESS: The statement gives a breakdown of the strength of officers and civilians at National Defence headquarters for each of the three services, and on the administrative side.

Mr. THATCHER: Could we have the totals?

The WITNESS: I can give you the totals.

Mr. FLEMING: Mr. Chairman, I suggest that we have the whole report printed in our official report.

The CHAIRMAN: It is understood that this report, even though it is a very long report or table, will appear as an appendix to the report of today's proceedings because the verbatim report of our meeting to which this answer directly relates is at the present time in the hands of the printer.

The WITNESS: The totals: for the 31st March, 1947, 4,297; for the 31st March, 1948, 3,864; for the same date in 1949, 3,986; and then by quarters: the 30th of June, 1949, 4,036; the 30th of September, 1949, 4,042; the 31st of December 1949, 4,188; and for the 31st of March, 1949, 4,203.

Mr. FLEMING: Is that 1949, or 1950?

The WITNESS: 1950, I am sorry.

Mr. THATCHER: Does that include civilians.

The WITNESS: Yes.

Mr. FLEMING: What is that last number, 4,203?

The WITNESS: Yes, 4,203.

Mr. THATCHER: Are the civilians included in that figure?

The WITNESS: This is service personnel and civilians.

Mr. THATCHER: I see.

The WITNESS: I will table that as an appendix.

Appendix "A", service and civilian strength, National Defence headquarters.

The WITNESS: The next is a question asked by Mr. Thatcher for a breakdown of the number of personnel at National Defence headquarters engaged in the preparation and processing of requisitions. This, again, is a quite detailed table, but I can give you the totals. On requisitions for purchasing supplies and services the total is 142; and for the acquisition and disposal of property it is 23.

Mr. WRIGHT: What is the date of that? Is it the 31st of March, 1950?

The WITNESS: It is for the fiscal year 1949-50. I will call this table appendix B. It shows a distribution of these people by branches throughout the department.

Appendix "B" personnel at National Defence headquarters engaged in the preparation and processing of requisitions.

The next question was by Mr. Fleming, as to the amount of money disbursed in the fiscal year 1949-50 direct to the trade through local purchases. The total amount is \$3,660,642.10. A breakdown of that is as follows:

Navy	\$ 684,055.00
Army	1,236,936.55
R.C.A.F.	1,718,045.00
Defence Research	15,300.17
Administration	6,304.98
	<hr/>
	\$3,660,642.10

Mr. FLEMING: That is for local purchases:

The WITNESS: Yes. Now, the next question was by Mr. Fleming, as to property and equipment to declared surplus since the war and re-acquired by the department during the fiscal year 1949-50: Real estate, none. Equipment, by the R.C.A.F., to a total value of \$327,046. I have the details here if you wish them, Mr. Fleming: double tier beds, 16,000, at a re-purchase price of \$112,000.

By Mr. Browne:

Q. Were they sold for \$16,000?—A. No, there were 16,000 beds.

Q. What amount was paid for them when they were sold?—A. I do not know, unfortunately. You will have to go to War Assets for that.

By Mr. Fleming:

Q. Your figures do not indicate the price realized on sale after they were declared surplus?—A. No.

Mr. THATCHER: Would the Defence Purchasing Corporation be able to give us some total involved in that?

The CHAIRMAN: No, that would be the War Assets Corporation or Crown Assets Disposal Corporation. We might ask the Defence Purchasing Corporation, or the Canadian Commercial Corporation, as I understand it is now called, whether they could produce any figures on that from the records taken over by them from what used to be known as the War Assets Corporation.

By Mr. Fleming:

Q. For the sake of clarity, before we get the details I understand from Mr. Drury that the details he is giving us now on this table show the actual equipment which the department at one time owned, declared surplus, and which was sold and re-purchased? It is precisely the same equipment.—A. We have reason to believe it is.

Q. And this is all the same equipment?—A. As far as one can go, yes; we are reasonably sure, we understand that it is the same equipment.

Q. You bought it as such?—A. Well, it was bought and we have since identified it as such.

Mr. THATCHER: Of course Mr. Drury could hardly give the committee a true picture of that without indicating the amount of equipment that has been re-purchased since then; I mean, we could not get a complete up-to-date picture from the information pertaining to the fiscal year 1949-50.

The CHAIRMAN: The figures we are studying now, of course, are for the year under review.

Mr. THATCHER: Has there been any difference in that, as to amounts, within this last year?

The CHAIRMAN: That would appear in the public accounts which will come before this committee next year.

Mr. FLEMING: With respect to that question, could we have the full picture now; could we have a complete statement?

The CHAIRMAN: With reference to the request made by Mr. Thatcher; as I said the other day, I don't mind if questions project into the present as long as they are for the purpose of helping us to form a judgment as to what has been done in the past, but the moment it comes down to figures, those are figures which have not yet been audited by the Auditor General and they are not in the public accounts as such officially, so it is not within our powers to go into them. I would not object to allowing a question to project into the present in so far as it enables us to get a better understanding of the picture of the past, but I would not want to go into the figures for the present.

Mr. THATCHER: Mr. Chairman, then does Mr. Drury know in a general way if there was a great deal more of that went on this past fiscal year than in the fiscal year under review, if he does not want to give us the figure.

The CHAIRMAN: You mean, has the tendency been to purchase more of that?

Mr. THATCHER: Yes.

The CHAIRMAN: That is all right.

The WITNESS: I cannot be precise without going into this a little more, but I would think that the figure for the fiscal year 1949-50 would be higher than the \$327,046.

Mr. THATCHER: Would it be a great deal higher?

The WITNESS: That, I do not know.

The CHAIRMAN: We are concerned with the year under consideration.

Mr. WRIGHT: I think he meant the fiscal year 1950-51.

The WITNESS: Yes, 1950-51.

By Mr. Thatcher:

Q. Could we have the total on that? Would it be higher?—A. It would be higher, but how much higher, frankly, I haven't the faintest idea.

Q. Would it be substantially higher?—A. That, I do not know. We are not directly concerned as a department in the source of the equipment that we receive. We requisition on the Department of Defence Production for our requirements and we secure them in the most advantageous market. Now it may be that they purchase from new manufacture, second hand, or even re-acquire some stuff which previously has been declared surplus and of which the buyer has previously been unable to dispose. But there is not an examination by us as to the source of the acquisitions by the Department of Defence Production.

Mr. THATCHER: I take it from what you have said that there has not been a great deal of purchasing of old equipment as far as your department is concerned. Am I correct in that?

The WITNESS: I would make that as a general statement.

Mr. WRIGHT: During the fiscal year 1949-50, you were doing the same thing with the Canadian Commercial Corporation?

The WITNESS: The Commercial Corporation.

The CHAIRMAN: We might defer our questions as to these re-purchases of old equipment until we have somebody from the Canadian Commercial Corporation before us who would have the details. The members might make a note of any questions they would like to ask on this subject; so they will have them when these people are before the committee.

The WITNESS: The number of beds is 16,000, and the re-purchase price is \$112,000.

Clothing, holdalls, \$4,950; helmets \$3,875; flying clothing \$33,348—

Mr. FLEMING: Is that dollars, or units?

The WITNESS: That is dollars. I am sorry I have not got with me a precise breakdown on the number of helmets. Aircraft engines, 100 power plants, for Lancasters, \$168,000; for a total of \$327,046.

Next was the total of payments made to hourly rate employees in the department in 1949-50. I think that was a question asked by Mr. Fleming. The figure is \$8,749,317.06.

Expenditures on recruiting in the three years ending March 31, 1950, broken down by services and under the four headings newspaper, radio, film board and general publicity. Do you wish me to read all of it? There are quite a few figures here. I can give you the total, if you like. The total for the army for the fiscal year 1949-50 was \$430,599.41.

Total for the navy in the same year, \$205,088.94, and the air force in the same year, \$361,921.95.

Now, I have a break-down as between newspapers, radio, billboards, and general publicity for each of these forces, and I also have some figures for the two preceding years.

Mr. FLEMING: I think we would be as far ahead, Mr. Chairman, if Mr. Drury read the details into the record now, because we probably will not be coming back to them.

The CHAIRMAN: I have no objection to that at all. It was only to save time that I suggested that they be printed as an appendix.

Mr. THATCHER: Were those figures you read for the fiscal year?

The WITNESS: Yes, that is correct.

Mr. WRIGHT: Could we have the total number of recruits in connection with those expenditures?

The WITNESS: I think I can get you those figures.

The CHAIRMAN: Your question is: how many recruits came into each of the services during each of those years.

Mr. WRIGHT: Yes.

The CHAIRMAN: The answer can be tabled at the next meeting.

Mr. FRASER: Did not Mr. Drury say that was the figure for the previous year?

The CHAIRMAN: The year past, yes.

Mr. WRIGHT: I think it would give us more information if we had the cost for each of those years and the number of recruits which came in each year. Then we would know what it cost to get a recruit.

The CHAIRMAN: You will understand that these figures have to be assembled, Mr. Wright. You will understand that Mr. Drury does not have them with him, but that they will be prepared and submitted at the next meeting.

The WITNESS: I have given the figures for the three services in the fiscal year 1949-50. The number of men we took in in that year made a grand total of 8,595.

Mr. BROWNE: That is the total number for the army, the navy, and the air force?

The CHAIRMAN: That is the sum for the army, navy and air force.

By Mr. Thatcher:

Q. That works out to about \$125 a recruit.—A. I have not done the arithmetic, but I assume your division is correct.

Q. Don't you think that was pretty expensive advertising for one recruit, or is it not too bad?—A. Well, if you consider the fiscal year 1949-50 in isolation, then \$125 a recruit would be quite substantial. But if you were to project—and necessarily this expenditure produces results not on the day that it was incurred, but in the future—I think you would find that the intake in the following year, when one would expect to see results with respect to these expenditures, would be quite substantially higher.

By Mr. Fleming:

Q. I suppose if we had that portion of the following year, before the Korean upset, it would show that there was a separate recruiting campaign for Korea.—A. That was, of course, only a two-month period.

By Mr. Fraser:

Q. The figures you gave us are from page 87 of the Report of the Department of National Defence for the fiscal year ending March 31, 1950?—A. For the fiscal year 1949-50, broken down by services.

Now, first, the navy: I will read this. I will give the four headings and then the amounts for each of the fiscal years. The headings are: advertising in newspapers; advertising by radio; advertising by billboards; and general publicity.

In the year 1947-48, newspaper, navy, \$6,600; radio, \$23,000; billboards, \$1,017; general publicity, \$2,554.50; making a total of \$33,171.50.

For the following fiscal year, 1948-49, the navy, newspapers, \$92,800; radio, \$71,343; billboards, \$12,900; general publicity, \$59,203.10; and grand total, \$236,246.10.

Fiscal year 1949-50, navy, newspapers, \$86,148; radio, \$84,000; billboards, \$16,140; general publicity, \$18,800.94; total, \$205,088.94.

For the army, in the same way: for 1947-48; newspapers, \$16,938.03; radio, \$23,071.71; billboards, \$2,289.90; general publicity, \$35,786.33; total, \$78,085.97.

For the year 1948-49, newspapers, \$179,229.79; radio, \$88,073.63; billboards, \$12,935.47; general publicity, \$48,174.68; total, \$328,413.57.

For the year 1949-50, newspapers, \$231,590.69; radio, \$132,100.66; billboards \$20,950.17; general publicity, \$45,957.89; total, \$430,599.41.

By Mr. Pearkes:

Q. Would those figures include any advertising which was done under unit arrangement in the reserve forces? If a unit puts in an advertisement for recruits, does the unit get the cost of that advertisement refunded to it?—A. There are allocations of funds for advertising purposes made with commands and divisions. The commands and divisions allocate those funds to the reserve units who, in turn, pay for the advertising. There may be instances where a

commanding officer might feel it worth while to pay for an advertisement either out of his own pocket or out of some form of common fund other than this one. But I think that would be quite rare.

Q. That type would not be included here, of course?—A. It would not be included, no. These figures represent expenditure of public moneys on this account.

Q. Could you give me any idea as to what the grant is to a reserve unit for advertising purposes?—A. In these years, no, I have not got it here; but I could obtain it for you.

I still have not given you the figures for the air force. The year 1947-48, newspapers, \$74,614.75; radio, \$2,305.45; billboards, \$1,017.01; general publicity, \$2,707.25; and grand total, \$80,644.46.

The year 1948-49, newspapers, \$171,596.49; radio, \$63,652.53; billboards, \$10,504.54; general publicity, \$36,400.81; and grand total, \$282,931.26.

The year 1949-50, newspapers, \$187,774.74; radio, \$108,504.19; billboards, \$16,140.12; general publicity, \$49,502.90; making a grand total of \$361,921.95.

By Mr. Fraser:

Q. May I ask if you have any break-down on the motion picture cost?—

A. The motion pictures would come under the heading of "general publicity."

Q. Yes?—A. These are motion pictures which are for recruiting purposes.

Q. That is right.—A. I would have to get a further break-down.

Q. And I would like to know whom they are paid to, whether it be the National Film Board or to individual companies.—A. Yes.

By Mr. Fulton:

Q. Could you tell us what sort of things come under "general publicity", and what sort of things come under the headings which you have used generally?—A. The arrangements for air force day, army week, and navy week, all of these displays, which have to be prepared and transported from place to place, they all entail expenditure; also any other form of recruiting display which does not involve separate radio, newspaper, and billboard advertising would come under that heading.

Q. Would that heading cover the actual salaries or pay in the department to the people who design your publicity.—A. No, it would not. These are out-of-pocket expenditures.

By Mr. Fleming:

Q. Out-of-pocket expenditures to persons outside the government services?—

A. Not necessarily. If we were to disburse money to the Film Board for a film, the money would remain, or a part of it would remain in the government service, but it would still show as an expenditure in these figures here.

Q. And the same would apply to the CBC to the extent that you paid them money for radio broadcasting?—A. That is correct.

Q. I suppose it would not be any great task to pick out of these figures the amounts paid to other government departments or bodies so that we might have the net figure of the amount paid outside of the government entirely, to persons outside the government entirely.

By Mr. Fulton:

Q. May I ask whether you design your publicity program in the department itself, or do you employ an advertising agency or publicity experts?—A. It is a combination of both. There is reliance on the specialists in this field. We do not try to do it all ourselves.

Mr. FULTON: What you pay to them would come under the heading of "general"?

The WITNESS: No, in the case of advertising in newspapers when a sum is paid to an advertising agent it includes the cost of the artistic work, designing etc., and as well the cost of placing the advertisement in the newspaper.

By Mr. Fleming:

Q. It is an inclusive service that the advertising agencies render?—A. That is correct.

Q. How many advertising agencies are you dealing with? Is there a number, or is it pretty well concentrated in one or two?—A. I was just trying to relate this to the period under examination. I think there are four, in so far as newspaper advertising is concerned.

Q. Could we have a report on the payments made to advertising agencies, with the name in each case?

Mr. WRIGHT: Have you any way of assessing, Mr. Drury, which is the most effective form of advertising?

The WITNESS: This, like the Gallup poll, or the efforts of the Gallup poll, is extremely difficult to do. We have tried to question people, samples of men coming into the forces as to what led them to come in as a way of testing the efficaciousness of the appeal or the various types of appeal. We have come to the conclusion you really need a trained psychologist to do that. Some men will try to give the answer that they think you are trying to get them to give. Others will have entered the forces for personal reasons which they are not willing to disclose so they fabricate another. It has not really been very illuminating.

Mr. WRIGHT: How do you arrive yourself then at what you consider to be a reasonable division between radio, papers, and other agencies.

The WITNESS: We rely to some extent on the advice of those advertising specialists, who, I suppose, "play it by ear" to some extent anyway. They have had long experience in the field and will have developed some tests of their own.

By Mr. Fleming:

Q. Do you budget your expenditures in advance? Was an amount laid out in advance in the budget of the department or particular service to cover the recruiting campaign expenditures during the year?—A. It is a general practice.

Q. Was that done in the case of each of these three years? Was it consciously budgeted in advance?—A. In so far as we could, yes.

Q. Well, I do not quite follow when you say "in so far as we could"?—A. It was done but the figure of expenditure at the end of the year does not always remain at the figure forecast, some four months before the beginning of the fiscal year.

Q. I suppose it would not be difficult then to produce the figures showing the amount budgeted in your estimates for these particular campaign expenditures and the amounts actually expended during the years? I understand they might not necessarily correspond but I would be interested in seeing them, Mr. Drury. It would not be much of a task to prepare those figures?—A. In all those three years?

The CHAIRMAN: Well, let us have it for the year under review. We are supposed to have covered the others in the past. I do not want to close the doors but if we are to extend the work to the three past years we are doubling the time that we spend on that while we are actually reviewing 1949-50.

Mr. FLEMING: Well, I do not know that is so in this particular case.

The CHAIRMAN: I do not mind in this particular case but I do not want to establish the procedure of going back for three years—

Mr. FLEMING: No? not in every case.

The CHAIRMAN: No, I do not want to establish that in every case and go into the figures for the past three years.

Mr. FLEMING: No, not in every case, but we have these figures now and the comparison I think would be interesting.

Mr. MAJOR: To have a fair idea would it be well to have the figures on a year where you would have an increase and then give them for a year where you would have a decrease, so that members would have a fair idea?

The CHAIRMAN: Out of these three years?

Mr. MAJOR: Yes. If you will give us an increase or figures where there is an increase and then figures where the returns would be on the decreasing side, then we would have an idea.

Mr. FLEMING: The figures would show whether there was an increase or decrease—if we had the figures for the three years.

Mr. MALTAIS: Would the budget be influenced very much by the international situation? If there was apprehension of war, for instance in Korea, I presume you would have to enlarge your budget?

The CHAIRMAN: Well, we are dealing with 1949-50; we are not dealing with Korea.

Mr. MALTAIS: Yes, but how can you budget a year ahead if you have a situation that is not very clear as to the future?

The WITNESS: I agree with that and it is the point I was trying to make with Mr. Fleming. It is difficult to make a forecast as we have to do in the late fall of the year of recruiting expenditures in the fiscal year beginning the following April. With a changing international situation obviously the forecast is not always suitable to events.

Mr. FLEMING: We will not expect you to have sat down with a crystal ball in making up your estimates.

The CHAIRMAN: In any event in those three years there was no special difficulty in the international situation so we might be able to judge whether the budgeting has been done right. Now, Mr. Sinclair, I think you had a question.

By Mr. Sinclair:

Q. A few moments ago you were talking about placing advertising through advertising agents. You said you did some of your own work. If you place an ad direct do you get the 15 per cent rebate because you do not use an advertising agent?—A. I do not know; I would have to find out.

Q. I was wondering what sort of credit these advertising agencies give you for work you yourself do in preparing material for— —A. For insertion?

Q. Yes?

The CHAIRMAN: Do you mean would the paper give 15 per cent?

Mr. SINCLAIR: If the department supplies an ad directly to the paper would you get the 15 per cent fee which the advertising agency gets?

The WITNESS: Well, the department does not normally place advertisements directly in that at National Defence headquarters in Ottawa we are concerned with the sort of national advertising, and the only placement of advertising which would be done directly would be by the people General Pearkes had in mind, the reserve commands and local units. I would imagine, without knowing, that they could not command any very heavy discount.

Mr. FRASER: Mr. Chairman, I was wondering, in regard to these jet 'planes and other 'planes that are sent out for recruiting purposes to different fairs of one kind and another, whether that is charged up to recruiting or is there any account taken of it?

The WITNESS: That is not charged up to recruiting; it is not reflected in the accounts as a charge against recruiting. To try to cost operations in that way would be a quite difficult process.

The CHAIRMAN: It is just considered part of the operation of the unit that took part in the particular publicity. It is not charged to publicity; it is charged to the expense of that unit.

Mr. FRASER: What I am getting at is that jet 'planes were sent to the Toronto Exhibition last year and likely will be sent again this year.

The CHAIRMAN: It is part of their training at the same time—it plays a double role. It would be hard to determine which was publicity and which part accrued to the value of the jet crew when they went there. I think there would be a very fine line.

By Mr. Fleming:

Q. I think Mr. Drury indicated these figures did not include in any case payments made within the department?—A. That is right.

Q. Out of the department's appropriations each year there is nothing appearing in these figures which is chargeable to recruiting campaigns?—A. I think I understand you correctly.

Q. These are all payments, you indicated, that were made to persons outside the Department of National Defence? Mr. Chairman, we do not have the totals for the three services in each year. Are those part of the statement you have, Mr. Drury?—A. I am sorry, no. I have not done the addition.

Q. I think probably we can do that pretty simply. I just want to get a basis for comparison. In the year 1947-48 the total runs about \$192,000; in the year 1948-49 the total runs about \$900,000; in the year 1949-50 the total runs—

Mr. FULTON: About \$997,000.

Mr. FLEMING: Yes, about \$1 million.

Now, you were asked I think, for a statement of the number of recruits obtained in each year. I do not know whether I have it right but you gave the figure as 8,095 for this last fiscal year.

Mr. THATCHER: 8,095?

By Mr. Fleming:

Q. Or 8,595?—A. 8,595.

Q. Have you here the figures of recruits for the two previous years?—A. No.

Q. You could get those quite simply, I suppose, and you could work out for us the cost measured in terms of these recruiting campaigns. I am not suggesting that is the total cost, but as far as expenditures on these special campaigns are concerned you could give the cost per recruit for each year for each of the three services. What has been the tendency in the three services in respect of advertising campaigns as to the extent of them, as to the results, and as to the number of recruits? Could you make a general statement on that?—A. No, I could not now.

Q. I will wait.—A. That is just the arithmetic you want.

By Mr. Thatcher:

Q. Perhaps Mr. Drury has a statement here and can tell how many active service personnel are engaged, in all the services, in drawing up this advertising?—A. No, I have not got precise figures on that. There are some who are

engaged full time and others part time. I, myself, from time to time look at these things. I would find it difficult to figure how much of my time was devoted to it. There would be a considerable number of other people too.

Q. This would seem to me to be one place where it would be wise to have outside people doing it and I would like to know how many full-time people are engaged in this advertising?—A. If you would be satisfied with an offhand figure—

Q. Yes?—A. It would probably be ten or twelve.

Q. That is all in all of Canada?—A. Yes.

Q. That is fine then.

Mr. FULTON: Then you would have additional personnel employed on that?

The WITNESS: No, I am including the departmental personnel engaged full time in drawing up advertisements.

By Mr. Fleming:

Q. Do I understand from a previous answer that the placing of advertisements in newspaper or journals as may be the case is left entirely to the advertising agent whom you retain?—A. Generally speaking, this is so.

Q. Is any instruction given by the department to these agencies as to where the advertisements are to be placed?—A. Some instruction is given. In general we do not go as far as you have first suggested, namely, tell the advertising agency to advertise and let us have the bill. There is consultation and discussion as to the type of advertising which is most efficacious, the type of newspaper, whether it be weekly, fortnightly, or daily, and the sort of proportion there should be between them, and generally the geographical areas of the country where it would seem on the basis of results more desirable to concentrate, and again a choice as between rural and urban. Now, it is not left entirely to the discretion of these advertising agencies to place these advertisements.

Q. How close and how frequent is this consultation, Mr. Drury; that is, between your departmental officials and the representatives of these advertising agencies that you retain?—A. Well, it would be weekly anyhow, and it may extend over a period of three or four weeks at the outset of a period to determine the general line of attack, and then following that there would be consultation as necessary, but I would think it would work out on the average once a week.

Q. Does the department do anything more than indicate its approval or disapproval of the general program of advertising; that is to say, so much radio, so much weekly newspaper, so much daily, so much for journals, so much billboards and so on. Does it ever get down to a question of selecting the particular organs through which advertising is to be passed out?—A. You mean particular newspapers?

Q. Yes, journals or any other particular form of advertising vehicle? It might mean particular radio stations, it might mean particular billboards, particular localities, particular firms in these businesses.—A. Well, in the case of the newspapers, as I mentioned before, at national headquarters we are concerned with the national campaign and are therefore not interested in individual newspapers.

Q. That means you never. . .

The CHAIRMAN: Would you mind letting the witness carry on with his answer, he just paused in the middle of an answer.

The WITNESS: In the case of allocation of grants to commands and naval divisions for advertising, the selection of the newspaper or newspapers is generally left largely up to the man on the spot. We do not give him directions as to which is the most efficient newspaper for his particular purposes. In the case of radio stations it tends to be, generally speaking, a case of getting—leaving out

the national program, the national hookup by the Canadian Broadcasting Corporation—times for spot announcements on other radio programs, which you may all have heard. It is a case there of working out with a local station, trying to get time with them at the most advantageous rates. I think I can answer your question by saying that there is no practice of dictating to the advertising agencies to include or exclude this or that particular organ of a medium.

By Mr. Fleming:

Q. Apart from dictation, is there any suggestion?—A. Well, that is a question that I cannot answer as I have not sat in on all the discussions which take place as between the advertising agencies and the different services in Ottawa.

Q. Well, I suppose if we see the statement we can determine that.

Mr. THATCHER: Mr. Drury made a statement—are you finished tabling those reports, Mr. Drury?

The WITNESS: No.

The CHAIRMAN: You have another report?

The WITNESS: I have some more from the last meeting, Mr. Chairman.

The CHAIRMAN: Let us go ahead then and get all the answers in first.

The WITNESS: Colonel Harkness asked for an outline of the public relations organization in commands and the duties performed by public relations officers.

In the navy there are two field PROs, one of the Atlantic command and one of the Pacific command, in the rank of naval lieutenant; in the army, there are five field PROs, one at each of the army commands, eastern, Quebec, central, prairie, and western; in the RCAF there are two field PRO's, one at Edmonton, northwest air command, and one at Trenton training command.

By Mr. Sinclair:

Q. Have you the ranks of these PROs?—A. Yes, I meant to give those. In the army, of the five, three are majors and two are captains.

Q. Colonel Harkness has suggested there were some lieutenant colonels among the PROs.—A. I think he was going to let the committee know who they were.

Mr. HARKNESS: In my question I said I knew there were some majors, but I thought there were some lieutenant-colonels too.

The WITNESS: There is a lieutenant colonel or the equivalent in each service at national defence headquarters.

Mr. FLEMING: Would you give us the rank of the two in the RCAF?

The WITNESS: One flying officer and two flight lieutenants.

By Mr. Sinclair:

Q. Why should their ranks in the RCAF be lower than the equivalent in the army? In the army they rank as majors or captains?—A. It is a measure of the importance that each service attaches to this type of work and it is also related in a general way to personalities. This is a specialized form of job.

Q. The air force is easier to explain to the people than the army?

Mr. PEARKES: Is it in accordance with the importance attached to the service?

Mr. FRASER: You said there were two in the RCAF, one at Edmonton, and one at Trenton, and then you said there were three, a flying officer and two lieutenants.

The WITNESS: I just discovered that mistake myself, too. I am sorry, Mr. Fraser, I cannot reconcile that at the moment.

Mr. HARKNESS: Apparently, there are three instead of two.

The WITNESS: I will discover what the discrepancy is between committee meetings.

The duties of a PRO are: Issuance of press releases and liaison with press, radio and other forms of publicity media; Notes on speeches for commanding officers.

Mr. THATCHER: And parliamentary assistants?

The WITNESS: The compilation of biographical sketches of the principal officers in their command.

By Mr. Fleming:

Q. Down to what rank?—A. It is a little difficult to know what sort of queries the press are going to ask and there should in fact be a biographical sketch for press purposes of almost any officer. The press are interested, to take an example in the biographical details of all the officers who go on a search and rescue flight, and these normally may be headed by a squadron leader or more likely by a flight lieutenant or flying officer, and that is material that should be available, and is.

Q. It is not so much by rank as by colourfulness.—A. Well, I would think perhaps that the demand for this thing would be in relation to the glamour of the individual.

The CHAIRMAN: Or his efficiency?

Mr. KIRK (*Digby-Yarmouth*): The same would be true of certain members of parliament.

By Mr. Thatcher:

Q. The point of it all is that you do not spend very much on these PROs in the service seeing that there are just ten of them and their salaries could not be very high. —A. I think that is a reasonable deduction.

Q. What is the next step?—A. I wonder whether Colonel Harkness is interested in a further recital of these duties.

Mr. HARKNESS: What other duties are there?

The WITNESS: Well, they are under nine headings, we have covered three. The next ones are, arranging press, civic and official tours of a service installation, and "open houses" or "open house" for the public. Now, this is a burdensome preoccupation in that every effort is made by the service to interest the general public in what they are doing and the only way to get them interested is to bring them in to see what is being done. The minister himself has taken some people to Churchill and he is going to take some more to Toronto, just to carry out this sort of thing, and it is the job of the PRO to make all the detailed arrangements for that.

Next is arranging ceremonies for awards and decorations; staging special exhibits; assuring adequate participation in community charities and benefits; supplying a photographic coverage on service installation and operation of the photographic dark room; and also, looking after correspondence with the public on publicity questions.

Mr. FRASER: Just a moment, please. In that you said, "assuring participating on his installation in community charities and the benefits." Now, just during the last few years the department has been charging a very high rate for the rent of drill halls, armories and so on, for charitable purposes; I mean, when they are being used for charitable purposes. Why was that put into effect? Formerly they could get the rental of a drill hall for a nominal sum, perhaps \$20.00, and in addition to that they would only have to pay for a fireman to be on the job just to protect the property, and for a policeman, and, of course, for

janitor service; but now the cost is pretty high, it is up into the hundreds of dollars in some cases, and on top of that the service club which is using it for charitable purposes has to pay the fireman, the insurance and the police, and also for the janitor service; so it would seem that the co-operation there is not very great. It is not the way it should be.

Mr. SINCLAIR: Do I understand that Mr. Fraser is objecting to trying to get a fair rental for the use of public property? Is that your point?

Mr. FRASER: No, I am not objecting. I am asking a question: Why the sudden increase in rentals for the use of such buildings by service clubs? The service club is not the same as a private individual who wants to make a lot of money, that is a different proposition; he should pay a fair rental. But where the service club is using the property for charitable purposes I think there should be some reason in regard to the rent, that it should be a reasonable one.

Mr. THATCHER: Possibly the fact that real estate has risen very considerably in value is part of the explanation.

Mr. SINCLAIR: Well, who is to be the judge of what a charitable function is?

Mr. FULTON: Should we ask the deputy minister whether this increase in rentals has been laid down as a matter of policy?

The WITNESS: The present policy is to charge to the user the overhead and expenses incurred as a result of such use. In the past there has been a nominal, a purely nominal charge. Now a charge is made which will absorb the cost of the overhead during that time. There is a charge made now, and in some instances it is quite heavy, for insurance coverage. We had previously, under one of these nominal charge cases, a drill hall burned down by the users. There was no insurance. With many of these charitable organizations, they will not have the funds with which to re-build a drill hall, with the result that the taxpayer has to. So now we ask the user, whoever it may be, to carry insurance in favour of the Crown for that. Charges are also made in certain parts of the country in respect to electric lights, heat, and so on, but I do not think we have yet reached the point where any profit is made on this transaction.

Mr. FRASER: The reason I asked was that I was wondering why the increase in rental. I do not think any of us object to the payment of a janitor, and charges of that kind; but what I am concerned about is the rental charge when the property is used for charitable purposes.

The WITNESS: As Mr. Sinclair pointed out, it seems to me extremely difficult to determine what is a charitable purpose. There have been occasions when there has been the appearance of philanthropy when in fact the only people not to make any money out of it are the owners of the armory, the public. The private individual runs the show for a fee, a collection, and if he can get free premises to operate his scheme then his return is that much greater. However, in some cases there is no doubt that the functions are purely philanthropic, where all the effort is voluntary, and I would think in instances of that kind there would not be much more than the payment of the actual overhead.

Mr. FRASER: What I am trying to get at is that in bona fide cases of charitable events, they are in the interests of the public and should have only a nominal rental.

Mr. SINCLAIR: I would like to point out that we in the committee have in the past heard from Mr. Fraser about expenditures, and about the National Film Board competing with people in business who are making pictures as an occupation. In this country there are also hotels, with banquet halls, ball rooms and similar facilities, they are also in the business of providing for the public.

Mr. FRASER: That has nothing to do with this particular business because what takes place in an armory could not take place in a hotel.

Mr. SINCLAIR: Are you suggesting it is quite subversive?

Mr. THATCHER: You are speaking personally, of course.

Mr. FRASER: As a matter of convenience. There would not be a hotel that would hold a trade fair or anything like that. An armory could hold that but a hotel could not. It is a matter of accommodation for a large group.

The CHAIRMAN: Now, gentlemen, this is all very interesting, I know, but could we carry on with the other answers? Mr. Drury has more answers to questions which were put to him. Could we get on with them now?

The WITNESS: Educational qualifications required for enlistment in the ranks in the services (I think this was Mr. Thatcher's question) in the fiscal year 1949-50, in the Royal Canadian Navy, grade 8; in the army, grade 8; and in the R.C.A.F. the equivalent to grade 8, or two years less than junior matriculation. These are the general bases for entry of unskilled and unqualified recruits. These are the entry qualifications for the entry of the private soldier, seaman and airman of general trades. There are a whole series of differing qualifications in the case of the requirements for the various tradesmen.

Mr. FLEMING: Could we have that put on the record rather than take the time to read it?

The CHAIRMAN: We read from one report for fifteen minutes when it could have been tabled in just a second. I suggest in this case he be permitted to continue because there are only three short items.

Mr. FLEMING: I am sorry, Mr. Chairman; I thought Mr. Drury was going to start to read a long list of qualifications for tradesmen.

Mr. THATCHER: He could table them in any case.

The WITNESS: The next is the amount paid the Department of Veterans Affairs in 1949-50 for the hospitalization of service personnel; on account of the navy, \$165,500; on account of the army, \$315,778; on account of the R.C.A.F., \$220,491; making a total of \$737,769; and the rate charged per day was \$9.75 which is the standard rate charged by the D.V.A.

Mr. FULTON: Is that the average amount for coverage in all cases, or is that the actual amount paid by you to D.V.A.?

The WITNESS: That is the rate set.

Mr. PEARKES: Is medical service considered in that?

The WITNESS: Medical service is in that. When we put a man in we pay D.V.A. in respect of that patient \$9.75 a day.

Mr. PEARKES: Does that include a surgical operation and everything?

The WITNESS: Yes.

Mr. HARKNESS: How does that compare with the cost of your own hospitals? Have you any figures showing the cost in your own hospitals; for instance, such as Chorley Park?

The WITNESS: It would be possible to work out cost of treatment for a patient and an appropriate charge for it, but it would be a quite complicated operation because there are a number of things carried on at Chorley Park, for instance—different work from that directly relating to hospitalization; the examination of recruits and so on, as well as the blood bank.

Mr. HARKNESS: I take it you have no figures as to what it costs the department at one of your hospitals?

The WITNESS: Nowhere. The next question was how many recruiting centres were there in 1949-50: The total is 42; 20 for the navy, 11 for the army and 11 for the R.C.A.F. The reason the number in the navy is apparently so

high is that each naval reserve division is constituted as a recruiting centre or a place where they can receive recruits. Those are all the answers, Mr. Chairman, that I have so far.

By Mr. Thatcher:

Q. There is one question then arising out of a statement made by Mr. Drury just at the end of the last meeting which I wish he would elaborate on a little further, if he can do that at this time. He made the statement that Canada ties up proportionately less of her military manpower in non-combat jobs than either the United States or the United Kingdom. That statement is most gratifying, but I would like now if Mr. Drury would elaborate on it and tell us on what he based it. Are you guessing militarily, or do you know? Have you any figures which substantiate that?—A. I haven't got them here. In the case of the navy, roughly 50 per cent of the navy is at sea or in ships, and the other 50 per cent are on shore installations.

Q. How about the army?—A. In the army it is a little more difficult to work out but we go on the basis of what is known as the divisional slices, the relationship of numbers of men in combat units to the total.

Q. Well, what would you take—let me elaborate on that for a minute, Mr. Drury.

The CHAIRMAN: I wonder if Mr. Drury had finished with his answer?

The WITNESS: Yes, I had finished that, Mr. Chairman.

By Mr. Thatcher:

Q. In their issue of February 24, the American magazine known as *The Saturday Evening Post* quote two war correspondents just back from Korea. Those correspondents had been interviewing some of the units over there. According to them in Korea today, as far as the Americans are concerned, a rifle company of 180 men, 37 are doing something else beside fighting. On the other hand, these correspondents state that in a Russian rifle company, the figure is only two; that is, only two men in a Russian rifle company do anything but shoot at the enemy.

Now, in a Canadian rifle company, what would the comparable figure be? Would you have any idea?—A. I am not sure how he arrives at his figures of men who shoot at the enemy. In our rifle company every man is equipped with a weapon and is trained to use it, every single man, including the officers. Now, I am not sure whether in the 37 non-shooters he puts the officers as having command and administrative duties.

Q. Well, if you want to peruse this article, I would be glad to give it to you. I wish you would try to arrive at the figure for us. But if as you say, we have such a large proportion of military manpower in actual fighting jobs, then how is it that on March 31, at the time of these public accounts, the minister said, I think, that we had 20,000 odd in the army—how is it that we had so few ready three months later when the Korea trouble broke out? They are not doing advertising. That is obvious from what we have heard this morning; and they are not doing certain other things. How do you reconcile that fact with your statement at the last meeting?

The CHAIRMAN: Did anybody say that they were not ready to go fighting, or rather that they wanted to keep them for other duties at home, and have a special force for the fighting?

Mr. THATCHER: I would like Mr. Drury to answer my question, Mr. Chairman.

The CHAIRMAN: I am just pointing it out to you, and Mr. Drury can take it from there.

The WITNESS: I think the chairman has given the answer.

By Mr. Thatcher:

Q. Did I understand you to say that your department had the men, but that the government did not want to use them in that way?—A. I think, yes, we can say that; that had they not specifically assigned other tasks, it would have been possible to have found a force to go to Korea from within the Canadian army as it existed in June, 1949.

Q. Do you mean, after a good deal of training, or were they ready at that time?—A. Trained!

Q. They were trained? How many men, would you estimate?—A. Are trained?

Q. No, were ready at the end of this period we are studying, March 31; how many men did you have who were fighting men and who could have gone into combat as a fighting team?—A. I do not know; I would have to look at the figures. I would hesitate to throw out a guess at this point.

Q. Well, as deputy minister in charge of our defences, surely you would know how many men we had ready to fight, would you not?—A. I would only be able to hazard a guess at this moment.

Q. Very well, would you hazard that guess then?

The CHAIRMAN: I do not think we should have it as of this moment, but as of March 31, 1950.

By Mr. Thatcher:

Q. We spent \$400,000 on that department; how many men did we have to fight?—A. I could obtain that figure for you. I very much dislike making a guess now as to the state of affairs two years ago, or one year ago.

Q. And what was the number of men who were fully trained?

The CHAIRMAN: That is, on March 31, 1950?

By Mr. Thatcher:

Q. Yes, who were ready to go into combat. I cannot, as a layman, reconcile your statement at the last meeting with that fact.—A. I may say that the navy, who did not have immediate tasks to discharge, were able to dispatch a destroyer, or three destroyers to Korea as soon as they could get the necessary warlike stores on board. They did not go into further training and working-up operations.

Q. What about the air force, Mr. Drury, on that date? How many active squadrons did you have at that time?—A. Here we get into—I wonder if I might not answer that question at the moment. I am not sure about security arrangements on that figure.

Q. These are a year old, Mr. Drury.—A. Yes, I appreciate that, but generally speaking announcements that we have made on strength have been based on improvements over a year ago.

Q. Did you have on March 31 any active squadrons that could have been dispatched into immediate fighting, if it had been necessary?

The CHAIRMAN: I think that if the witness in his official capacity states that for security reasons he does not want to answer, we should not go any further, unless the question has to do with an expenditure of money. With a question like this, I do not think we should go any further under the circumstances.

Mr. FULTON: How about having the question put in another way? Let us see if that particular question could not be answered? Perhaps the question which Mr. Thatcher has just put could be presented in a different form.

The CHAIRMAN: I do not want to block anyone's question. But the witness here has a responsibility in the Department of National Defence and he raises, himself, the advisability of not revealing the figures. I do not think the committee should go any further than that.

Mr. THATCHER: We spent \$174 million as at March 31 on the air force. But did we on that date have planes that we could dispatch overseas, or anywhere else where fighting was going on?

The CHAIRMAN: Did we have them ready to go at that time?

By Mr. Thatcher:

Q. Did we have active squadrons as a result of the spending of our money?

—A. Yes, we had active squadrons as a result of the spending of our money.

Q. Could you give us any details?—A. We had active squadrons of various types; there were fighter squadrons and reconnaissance squadrons.

Q. How many fighter squadrons did we have?

The CHAIRMAN: That is the type of question to which the witness objected a moment ago. He objects to giving figures with respect to our actual armament at that time.

Mr. THATCHER: Then how are we to know?

The CHAIRMAN: You have the right to call in any treasury official of the department and ask him: What did you have for an expenditure of \$175 million, at that date.

Mr. THATCHER: Well, how are we to know if there is enough air force to protect this country, if we do not know how many there are?

Mr. SINCLAIR: There is the point where he differs in his question because, after all, our air force was designed for the defence of this country. It is a different thing to ask: How many would be sent to Korea, and what squadrons do we have for the protection of this country. The purpose of the air force is the defence of Canada.

Mr. THATCHER: I shall change my question then. How many air force squadrons, and of what strength, were ready to fight, ready and established in Canada on March 31?

The CHAIRMAN: Again, the witness is at liberty to answer or not.

Mr. SINCLAIR: It is too bad the member from Moose Jaw does not read the report before he comes in here.

Mr. THATCHER: I have read the report before.

Mr. SINCLAIR: Look at page 56.

Mr. THATCHER: I cannot just reconcile it.

The WITNESS: It is paragraph 419.

Mr. SINCLAIR: You should read the report instead of *The Saturday Evening Post*.

By Mr. Thatcher:

Q. Would you elaborate on this, Mr. Drury. Were these squadrons mentioned in paragraph 419 up to full strength? Were they fully trained? Were they ready to fight?—A. No. The squadrons formed in that year could hardly be classed as fully trained and ready to fight. They were also deficient in aircraft in relation to the total number required to make up a war establishment.

Q. Is it not a fact that most of them were in the blueprint stage at this time, and that very few of those ten were in a position to fight? Is not that correct?—A. Well, not all of them have what I think you understand as a fighting role. Would you consider a reconnaissance squadron ready to fly and reconnoiter as being ready to fight?

Q. Well, would you?—A. Yes. But I do not think that is what you really have in mind.

Q. No. What I was trying to get at was whether we had a sufficient fighting force in Canada to give us reasonable protection in case of war? In other

words, were a lot of these squadrons just on paper and did not have the planes? Could you tell me if the CF-100 is to be our main plane?

Mr. CAMPNEY: Just a moment, Mr. Chairman. I think that is a question of policy.

Mr. THATCHER: Well, the minister made that statement.

Mr. CAMPNEY: It is to be taken up in the House. I do not think it is proper to ask this witness.

Mr. THATCHER: We have spent hundreds of millions of dollars and I would like to know how many CF-100's we have to show for it?

The CHAIRMAN: We are not dealing with the moment, we are at March 31, 1950.

Mr. FULTON: Would it help, Mr. Thatcher, to ask the deputy minister if he could give us, without breaking security regulations, a breakdown of those figures set out at page 419, as to types—fighter, bomber, and so on? We might then question him further, if we could get that breakdown, as to the state of preparedness of the individual squadrons.

Would that be all right?

Mr. THATCHER: Yes, that would be all right.

The CHAIRMAN: I think it would be only fair to let the witness think it over and get the answer to Mr. Fulton's question which might give light on the problem.

Mr. THATCHER: The minister made this statement—

The CHAIRMAN: On what date?

Mr. THATCHER: February 5, 1951: "If the question is asked"—he is talking of the air force and why it is not fully operational—"it is because the aircraft—the F-86 Sabre and the CF-100 Canuck—have only recently been developed and have not yet been produced in the numbers required."

The CHAIRMAN: You are talking of the year that followed. Do we not have enough with \$400 million to go into here. We may have about twenty more meetings of this committee and if I was on the other side, I would try to dig into that \$400 million and try to find something in it.

Mr. THATCHER: You just told me that for reasons of security we could not do that.

The CHAIRMAN: Up to March 31, 1950, we have \$400 million that have been spent. I would imagine that is meat enough for us to go into if we have only twenty more meetings—rather than to speculate on what will come before this committee and on what will be the order of business next year for the Committee on Public Accounts. At the moment our province is \$1 billion in the whole of the public accounts and in the defence department we have nearly \$400 million. We have twenty more meetings or so—if we judge by other years. We have never gone beyond thirty-four meetings, so let us say that we have twenty or twenty-two more meetings. Surely \$400 million is quite ample ground for our study.

Mr. THATCHER: I agree with you on that but I was questioning on last year a moment ago and you told me to stop because of security reasons. If you want to leave this at the moment until Mr. Drury can get the breakdown it is agreeable to me.

Mr. HARKNESS: I would like to ask one question along that line and it would be simply this: On March 31, 1950, did the air force have one single fully operational, fully equipped, and fully manned fighter squadron?

The WITNESS: Yes.

Mr. THATCHER: Did they have two?

The CHAIRMAN: Oh, well, we are not in the auction business.

By Mr. Fulton:

Q. Following up the general question that Mr. Thatcher started with regard to the statement made by the deputy minister at the close of the last meeting, can you tell us on what analysis you base the statement that Canada has a higher percentage of men ready to take the field as opposed to the United Kingdom or the United States?—A. I do not think that was quite the statement.

Q. Higher proportion?

The CHAIRMAN: If I remember correctly the statement was with respect to a regiment or to a group of soldiers or servicemen in the field. There were more there specially for fighting than there were in auxiliary services.

In the American army it was stated that it takes seven in the field to serve three who are in combat duty. In the Russian army it would be the opposite. The witness stated that our proportion was better than that for the British and the Americans.

Mr. FULTON: Then the statement made by the deputy minister had reference to a field unit and not to the defence forces as a whole?

The WITNESS: No, to the defence forces as a whole.

The CHAIRMAN: The statement there was for a field unit. The statement I mentioned was for a field unit—that it took more men as auxiliaries to help those who actually fight—supply food and serve them—

Mr. FULTON: That was in answer to a statement Mr. Thatcher read from *The Saturday Evening Post*.

The CHAIRMAN: At the last meeting there was a question along those lines.

By Mr. Fulton:

Q. The statement made at the last meeting I understood referred to the defence forces as a whole. The deputy minister said in effect that in Canada our defence forces have a higher proportion of men who might be called field or fighting units than in the British or American services, and I am asking him if that is correct on what sort of analysis did he base that statement?—A. In the case of the navy, the number of men afloat as against those ashore; in the case of the army, as I mentioned to Mr. Thatcher, what is known as the 'divisional slice'; in the case of the air force it is the number of men engaged in actual operational duty as distinguished from those engaged in administration, repairs, and so forth.

Q. Well, I have asked you for a breakdown of the air force which I understand you are taking under consideration. Can you tell us at the end of this period under review, March 31, 1950, what field formations there were in the army ready and trained at that time to take the field in an operational role?—A. Well, I cannot answer that offhand; again I would have to go to records. It is easy to refer to the mobile striking group as a unit, but then there are a number of other units in comparable position, the details of those I cannot recall offhand.

Mr. THATCHER: You mean as defence minister, Mr. Drury you cannot—

Mr. CAMPNEY: He is not the defence minister?

Mr. THATCHER: Deputy minister—you would not know what active forces we had at that time?

Mr. FULTON: Not in his head.

The WITNESS: We had a considerable number of units.

Mr. FULTON: Ready to fight at this date?

The WITNESS: Yes, who could be put into the field.

Mr. PEARKES: Can you tell us what the Canadian 'divisional slice' is, please?

The WITNESS: I do not know it offhand. It was something I was going to find out, General Pearkes. I am basing my statement not on remembered figures but on recollections of arithmetical deductions the details of which I cannot remember.

By Mr. Harkness:

Q. What date do you mean this to apply to? March 31, 1950 or to the present?—A. The statement was as of March 31, 1950.

Q. At March 31, 1950 we had more men, proportionately, in what you might call combat units than was the case in the United States or Great Britain? I should like to have figures produced to show that.—A. As I mentioned at the last meeting it would not be appropriate for us to produce figures for either the United Kingdom or the United States.

Q. Well I would like to have the figures for— —A. Canada?

Q. For Canada, because it is a matter on which I have had quite a bit of discussion in the past three years with the minister when the estimates were up, and there was certainly never any satisfactory conclusion to it or figures produced?

By Mr. Fulton:

Q. Is there not an official publication of either the United Kingdom or the United States or both which you could produce and which we could then use for the purposes of comparison? I do not want your estimate of what they have but have you in your library, or somewhere, any official figures?—A. Well, there are official publications but I would have to see if there is an 'unclassified' one.

Q. One that has been for general release?—A. Yes.

Mr. THATCHER: Mr. Drury, referring to your answer to Mr. Fulton, do you not think the Canadian people might be alarmed that the deputy minister does not know the position of the active forces after spending this amount of money?

The CHAIRMAN: I do not think that it is a fair question of the deputy minister.

Mr. FULTON: I may say that I was asking the minister for figures as at the 31st March, 1950. I do not need to go any further—but it was for a period over a year ago.

By Mr. Fleming:

Q. May I ask a question now about an earlier statement made by Mr. Drury? Mr. Drury, you gave us a statement at the opening this morning as to the property and equipment declared surplus and subsequently re-purchased. You indicated there was no real estate but that in the fiscal year 1949-50 equipment which had previously been declared surplus and disposed of had been repurchased, to a total amount of \$327,046—all by the R.C.A.F.

You are nodding, Mr. Drury, the reporter cannot get that.—A. I am sorry; yes.

Q. Am I to infer from that that there was no repurchase of any kind of property, equipment, or anything else, for the army or navy in that fiscal year during which these things were declared surplus and disposed of?—A. Not as far as we can determine.

Q. Now there have been have there not substantial repurchases since March 31, 1950?—A. There have been some.

Q. Now, I will just mention a return that was made in the House on Monday last, April 23, in answer to a question regarding sales of equipment or material made to Levy Auto Parts Company, Limited, of Toronto, and then repurchased.

There are not enough dates in the answer to establish the exact period, but the statement indicates that the sales to Levy Auto Parts Company, Limited of equipment or materials from Crown Assets Disposal Corporation or any other department or agency of the government handling war surplus aggregated \$302,145.50, and in the period from February 1, 1947, to April 11, 1951, purchases from that company for national defence, as I understand it, totalled \$3,485,916.78. There is a note added by Mr. McIlraith in this report to this effect:

It is, however, impossible to state what part, if any, of this equipment was originally purchased from Crown Assets Disposal Corporation, as it is understood that this firm purchased war surplus equipment not only in Canada but also in the United States and England.

Have you any records that will enable you to determine the proportion of that equipment which was purchased from Levy Auto Parts Company Limited which had previously been declared surplus up to March 31, 1950?

The CHAIRMAN: Purchased prior to March 31, 1950?

The WITNESS: No.

Mr. FLEMING: In view of your answer as to the enlarged quantity of equipment purchased since March 31, 1950, I would like to ask you, Mr. Drury, if you would bring to an early meeting of the committee a statement of such purchases subsequent to March 31, 1950, of material and equipment declared surplus and disposed of.

The CHAIRMAN: I am awfully sorry but that is a question that does not concern our committee. Anything that has been made in the way of expenditures after March 31, 1950, is not yet audited by the Auditor General, is not yet reported in the Public Accounts, and therefore we have no authority to deal with it. When I allow a general question and I myself will claim that I have been more generous on that account than the vice-chairman after I read the report of last Tuesday's meeting, when he clamped down on everything after March 31, 1950. I am willing to let questions go and project beyond 1950 but not when they deal with actual figures of public accounts which are not yet reported by the Auditor General or by the Comptroller of the Treasury. I will allow a question that may enlighten us as to what has happened before to make sure whether we should have done differently, and I might say that I have been very generous on that point but when it comes to figures we have no authority unless the House changes its order of reference to us, because they are not audited by the Auditor General and are not reported in the accounts.

Mr. FLEMING: Just to clarify the situation. At the first meeting we brushed up against this question several times and Mr. Croll, vice-chairman who was in the chair at the time, was not pressed to make a ruling because I think we realized sooner or later we would come directly up against this problem as it is one of very great significance. I think you will agree that in the course of sittings of the public accounts committee this year and other years as well, where we have dealt with a figure in the public accounts, which were specifically referred to us, we have been able to follow through to see what has been done since. For instance, this year in the meetings when Mr. Sellar was the witness, where different questions arose as to matters in his report, we were permitted to follow through and ask what had been done since.

The CHAIRMAN: On this point may I interject this, when I allowed this to be done it was to make sure whether the trouble or the unsatisfactory arrangements that the Auditor General had found in making up his report had been corrected or if he now, at the time he was being examined, knew whether the condition was worse or better, but we never extended into what were the expenditures after March 31, 1950. We asked "did this situation improve", "was a satisfactory arrangement made", and the question was limited to that.

Now, on Tuesday last, April 17, the question was brought up by Mr. Fleming as to 1947 when we investigated the Veterans Land Act. At that time the committee had to investigate the sale by the custodian of enemy property of the Japanese properties to the Veterans Land Act administration to be sold later to veterans, and the committee found that in order to get to the actual figures we had to get the whole picture yet we did not extend our investigation past the year we had, as to figures. We questioned the witness as to the propriety of having this or that done, but we did not check the accounts for the year after the period that was under review. We made a thorough investigation; we found the facts, and you will admit—I myself drafted the report—we found that the man acted unsatisfactorily and we so reported, but we did not go into the actual details of the expenditures made after that period, we had no instructions. The ruling in general in this, that the accounts referred to us are for the year previous, accounts which have been audited by the Auditor General, reported first by the Comptroller of the Treasury, and then published in the public accounts report. It has always been the ruling, and prior to my coming to the chairmanship it has been the same, and I have been here for seven years, and it always has been the same since then, and that is that we should not examine into expenditures not audited by the Auditor General. I am willing to go to the limit, to let questioning be carried forward in order to get a good picture of what may have happened before, but when it comes to actual figures I cannot as chairman let the committee go into this because we have no order of reference to go into it.

Mr. BENIDICKSON: I support you, Mr. Chairman, on this. May I say this on a point of order. I think you are perfectly correct. We have a function to perform namely, the examination of the accounts for the year ending March 31, 1950, and, there are a lot of members in this committee who are interested in concentrating on this. Mr. Fleming had some additional information that he personally wants to get relative to the things he is questioning about, and if Mr. Fleming wants to have some particular information he has an opportunity to go elsewhere for it, he can get that information for his own satisfaction by asking questions on the order paper or by asking the Minister of National Defence when estimates are under consideration. But, as I say, there are others on this committee besides him and we want to concentrate on the matters of reference and I think we should stay on that.

Mr. FLEMING: Let us not spend any undue time on it. I wanted to add in reply to what you just said, Mr. Chairman, that in 1947, when we were on that inquiry to which you referred I do not recall any limitation of the kind now proposed and when we were on the other subject, namely, the investigation of the Veterans Land Act administration we came right up to the last minute on expenditure.

The CHAIRMAN: As to the efficiency or not of the man under review, because we had to do that if we wanted to make our report.

Mr. FLEMING: With all due respect to you, Mr. Chairman, it was on the public accounts; that enquiry on the public accounts had nothing to do with the Japanese land and the Veterans Land Act administration.

The CHAIRMAN: I looked up the text the other day and it is plainly said we came into this because at one moment we were interested with the custodian of enemy property.

Mr. FLEMING: Let me just finish, Mr. Chairman, that investigation as to the Japanese land, that arose out of a specific reference but as to the enquiry of the Veterans Land Act administration that, I am submitting to you, rose directly out of the public accounts. Now, Mr. Benidickson has raised a point. I am not going to take up time nor delay the committee, but I think we understand the problem simply to mean, and if it is ruled out of order, we will just have to accept

the situation, but I will move that Mr. Drury be asked to bring to an early meeting of the committee a report of property, equipment and material previously declared surplus and sold by the government agencies and re-purchased by the Department of National Defence since March 31, 1950.

The CHAIRMAN: If it applies prior to 1950, it is in order, but if it applies to any expenditures after the 31st of March, 1950, I personally declare it out of order.

Mr. FULTON: I wonder if you have fully understood the motion, Mr. Chairman. As I heard it, it does not call for details of the expenditures made after March 31, 1950, but for details of properties sold before March 31, 1950.

The CHAIRMAN: Well, you must remember that property is not sold for prayers, it is sold for money—

Mr. FULTON: If you just allow me to finish you will probably appreciate the point, which you have not done as yet. The motion asked for details of properties sold before March 31, 1950, which is the period under review.

The CHAIRMAN: That can be brought down.

Mr. FULTON: And subsequently re-purchased. It does not ask for how much was spent on the re-purchases, it simply asks for those properties which had been re-purchased and not how much was spent.

Mr. THATCHER: On a point of order, Mr. Chairman, would we not properly get that from the Canadian Commercial Corporation?

The CHAIRMAN: Normally, the Canadian Commercial Corporation would be the people, you are right, but it is the War Assets, or Crown Assets Disposal Corporation, not the Canadian Commercial Corporation that sold them.

Mr. FULTON: You are talking about the Crown Assets Disposal Corporation.

The CHAIRMAN: Yes, the Crown Assets Disposal Corporation.

Mr. THATCHER: Before you make a ruling, I was wondering—

The CHAIRMAN: I would like to answer what Mr. Fulton said, if you don't mind. You say, with regard to the re-purchase of this property, that only a list was asked. It was more than a list, it was how much was sold by War Assets and how much had been re-purchased now, with the details. Now, these things are not bought with prayers, they are bought with money. These expenditures have to be audited by the Auditor General and, as they pertain to the fiscal year 1950-51, they have not been referred to us yet so we have nothing whatever to do with them. That is my ruling.

Mr. FLEMING: May I just qualify it then. What we are after is essentially similar to what Mr. Drury brought here to us this morning, but covering the period since March 31, 1950, as to the purchases made by his department where the property, equipment or material had previously been owned by the government, declared surplus and disposed of.

The CHAIRMAN: Yes, but it is beyond our order of reference as it relates to expenditures made after March 31, 1950.

Mr. FLEMING: Is that your ruling?

The CHAIRMAN: That is my ruling.

Mr. FLEMING: May I contest your ruling?

The CHAIRMAN: Certainly.

Mr. THATCHER: May I say one word before you do so?

The CHAIRMAN: Yes.

Mr. THATCHER: I think technically the chairman is right and Mr. Benedickson is right and we should probably stick to that, yet I think the usefulness

of the committee will be very badly curtailed if that ruling is enforced. The chairman this year has been giving us a little more leeway than he did last year.

The CHAIRMAN: Thank you, Mr. Thatcher.

Mr. THATCHER: I would like to go further, I feel that if Mr. Fleming presses this matter we will be prevented from considering anything more than the immediate estimates before the committee. I suggest that it might be better if he would leave a little flexibility in it. I think we will get all the information we want, one way or another.

Mr. FLEMING: It is not in any spirit of quarrelsomeness that I put this matter. I am just trying to get it cleared up now so that we will know what we have to go on, and so we can frame our enquiries in the committee in the light of the ruling.

The CHAIRMAN: Earlier in this meeting I stated that our big problem was the investigation of this expenditure of \$1 billion in 1949-50, and perhaps the largest item of that is the \$400 million relating to the Department of National Defence; that is one item which I think the public would like to have us go into very thoroughly.

Mr. ROBINSON: I think I agree with Mr. Fleming, certainly this question has now been before us on four or five occasions. It seems to me that we are wasting time in arguing about the scope of it. Mr. Fleming's motion now asks specifically for expenditures subsequent to March 31, 1950. Members may have questions that they would like to ask on other similar points. I agree with him entirely. We might as well save time and have a ruling. There may be more cases. Let's get on with it.

The CHAIRMAN: In the absence of the secretary may I act as secretary and ask all those in favour of the ruling of the chair to raise their hands?

Nine, have indicated yes. Are you satisfied that my count is correct?

All those against the ruling of the chairman, will you please raise your hands?

Seven.

I declare the ruling of the chair upheld.

Mr. BENIDICKSON: It is one o'clock, Mr. Chairman.

Mr. FLEMING: There is a further motion which I would like to put, Mr. Chairman.

The CHAIRMAN: I think we have reached one o'clock, the time at which we are supposed to rise. Any items that come after that hour can be taken up next Wednesday morning at 11 o'clock. The committee stands adjourned until next Wednesday at 11 a.m.

Mr. FULTON: Next Wednesday?

The CHAIRMAN: Yes, next Wednesday, at 11 a.m.

Mr. FULTON: I think you should consult the members about that. Has there been a motion to adjourn?

The CHAIRMAN: Are you suggesting that there will be any change in the vote which has just taken place?

Mr. FLEMING: Well, Mr. Chairman, there has been no motion to adjourn put.

The CHAIRMAN: The committee adjourns automatically.

Mr. FLEMING: No, no.

The CHAIRMAN: The members have called my attention to the fact that it is one o'clock.

Mr. FLEMING: But you did not put a motion to adjourn.

The CHAIRMAN: Yes, I did: I said, the meeting stands adjourned.

Mr. FLEMING: Well then, Mr. Chairman, what about this meeting on Wednesday?

The CHAIRMAN: I am not lacking in co-operation. If there are any members of the committee who do not find it convenient to sit on Wednesday, if two members or more give me due notice I will have the matter further considered.

Mr. FRASER: Who made the choice for having the committee sit on Wednesday?

The CHAIRMAN: It was thought desirable that we should sit on Wednesdays and Thursdays. If there are members of the committee to whom such an arrangement is not satisfactory, we will consider the matter further. In the meantime, the committee stands adjourned until Wednesday morning next at 11 a.m. or if it suits you better, we will say it is adjourned to the call of the chair.

(Committee adjourned to the call of the chair.)

APPENDIX "A"

NATIONAL DEFENCE HEADQUARTERS--SERVICE AND CIVILIAN STRENGTH

DATE	NAVY				ARMY				AIR FORCE				ADMINISTRATION (See Appendix I)	DRB (Not Civil Servants)	GRAND TOTAL (DRB Not Included)			
	Officers	Men	Civilians	Total	Officers	Men	Civilians	Total	Officers	Men	Civilians	Total			Officers	Men	Civilians	Total
	(31 July, 1947)																	
31 March, 1947	172	51	664	887	403	590	454	1,447	318	377	236	931	1,032	36	893	1,018	2,386	4,297
31 March, 1948	159	32	614	805	432	679	475	1,586	239	179	289	707	766	78	830	890	2,144	3,864
31 March, 1949	211	37	615	863	494	725	467	1,686	266	178	297	741	696	91	971	940	2,075	3,986
30 June, 1949	232	34	657	923	457	744	473	1,674	259	176	299	734	705	101	948	954	2,134	4,036
30 Sept., 1949	191	29	658	878	464	745	478	1,687	267	190	306	763	714	102	922	964	2,156	4,042
31 Dec., 1949	236	29	668	933	488	755	492	1,735	283	187	307	777	743	98	1,007	971	2,210	4,188
31 March, 1950	248	31	682	961	473	742	494	1,709	288	189	312	789	744	101	1,009	962	2,232	4,203

D.N.D. HEADQUARTERS—ADMINISTRATION
CIVILIAN

BRANCHES	March 31, 1947	March 31, 1948	March 31, 1949	June 30, 1949	Sept. 30, 1949	Dec. 31, 1949	March 31, 1950
Ministers and Deputy Minister's Office.....	101	68	65	71	73	72	67
Directorate of Civilian Personnel.....	85	71	82	82	82	90	84
Judge Advocate General.....	20	25	18	19	20	19	18
Central Registries.....	206	138	131	132	132	132	128
Publications.....	108	93	105	103	103	100	76
Chief Auditor (Stores Audit until March 1/48).....	63	46	34	35	37	37	38
Inspection Board (including staff outside Ottawa).....	350	288	233	249	256	283	323
Imperial War Graves, Military Museum Board, and Civil Defence.....	10	11	12	10	11	10	10
Contracts Branch.....	31	1					
Dependents Allowance Board	31	24	7	2			
Dependents Board of Trustees.....	14	1	1				
Estates.....	13						
Industrial Defence Board.....			8	2			
TOTAL.....	1,032	766	696	705	714	743	744

Fiscal year 1949-50

PERSONNEL AT N.D.H.Q. ENGAGED IN THE PREPARATION
AND PROCESSING OF REQUISITIONS FOR

BRANCH	(a) Purchasing Supplies and Services				(b) Acquisition and Disposal of Property			
	Officers	O/R	Civil- ians	Total	Officers	O/R	Civil- ians	Total
NAVY.....	6	Nil	65	71	Nil	Nil	4	4
ARMY.....	12	20	22	54	2	3	1	6
AIR FORCE.....	1	2	4	7	5	2	Nil	7
ADMIN.....	Nil	Nil	10	10	Nil	Nil	6	6
	19	22	101	142	7	5	11	23
NAVY								
CNS.....	Nil	Nil	Nil	.....	Nil	Nil	Nil	.....
CNP.....	Nil	Nil	Nil	.....	Nil	Nil	Nil	.....
CNTS:								
ADMIN.....	6	Nil	3	9	Nil	Nil	Nil	.....
A/CNTS/WORKS.....	Nil	Nil	2	2	Nil	Nil	3	3
Dir. of Naval Stores.....	Nil	Nil	43	43	Nil	Nil	Nil	.....
Dir. Gen. Supply and Fleet Accounting.....	Nil	Nil	12	12	Nil	Nil	Nil	.....
Dir. of Civil Accounting.....	Nil	Nil	1	1	Nil	Nil	1	1
Dir. Gen. Naval Ordnance....	Nil	Nil	4	4	Nil	Nil	Nil	.....
	6	Nil	65	71	Nil	Nil	4	4
ARMY								
CGS.....	Nil	Nil	Nil	.....	Nil	Nil	Nil	.....
AG								
DMGS.....	1	2	Nil	3	Nil	Nil	Nil	.....
Medical Stores.....	Nil	Nil	6	6	Nil	Nil	Nil	.....
Dental Services.....	Nil	Nil	1	1	Nil	Nil	Nil	.....
QMG								
DWA.....	Nil	2	.....	2	2	3	Nil	5
DOS.....	10	14	11	35	Nil	Nil	Nil	.....
DME.....	1	1	Nil	2	Nil	Nil	Nil	.....
DST.....	Nil	1	1	2	Nil	Nil	Nil	.....
CHIEF ENGINEER.....	Nil	Nil	1	1	Nil	Nil	1	1
Design and Development.....	Nil	Nil	1	1	Nil	Nil	Nil	.....
CDN SIGNALS RESEARCH.....	Nil	Nil	1	1	Nil	Nil	Nil	.....
	12	20	22	54	2	3	1	6
AIR FORCE								
CAS.....	Nil	Nil	Nil	Nil	Nil	Nil	Nil	.....
AMAP.....	Nil	Nil	Nil	Nil	Nil	Nil	Nil	.....
AMOT.....	Nil	Nil	Nil	Nil	Nil	Nil	Nil	.....
AMP.....	Nil	Nil	Nil	Nil	Nil	Nil	Nil	.....
ADM UNIT SUPPLY STAFF.....	.....	.....	1	1	.....	.....	.....	.....
AMTS.....	Nil	Nil	Nil	Nil	Nil	Nil	Nil	.....
CE.....	1	2	3	6	5	2	Nil	7
	1	2	4	7	5	2	Nil	7
ADMINISTRATION								
Deputy Minister.....	Nil	Nil	10	10	Nil	Nil	6	6
	Nil	Nil	10	10	Nil	Nil	6	6

SESSION 1951

HOUSE OF COMMONS

STANDING COMMITTEE

ON

PUBLIC ACCOUNTS

CHAIRMAN—MR. L. PHILIPPE PICARD

MINUTES OF PROCEEDINGS AND EVIDENCE

No. 9

TUESDAY, May 1, 1951

WITNESS:

Mr. C. M. Drury, C.B.E., D.S.O., E.D., Deputy Minister of National Defence.

OTTAWA
EDMOND CLOUTIER, C.M.G., O.A., D.S.P.
PRINTER TO THE KING'S MOST EXCELLENT MAJESTY
CONTROLLER OF STATIONERY
1951

MINUTES OF PROCEEDINGS

TUESDAY, May 1, 1951.

The Standing Committee on Public Accounts met at 4 o'clock p.m., the Chairman, Mr. L. Philippe Picard, presiding.

Members present: Messrs. Anderson, Ashbourne, Benidickson, Blue, Boisvert, Brisson, Browne (*St. John's West*), Campney, Cauchon, Cavers, Cloutier, Croll, Cruickshank, Decore, Fleming, Fraser, Fulford, Fulton, Harkness, Helme, Johnston, Larson, Macdonnell (*Greenwood*), Major, Nowlan, Pearkes, Picard, Pinard, Thatcher.

In attendance: Mr. C. M. Drury, C.B.E., D.S.O., E.D., Deputy Minister of National Defence.

The Committee resumed consideration of the Public Accounts relative to the Department of National Defence for the fiscal year ended March 31, 1950.

Mr. Fleming moved that the House be requested to enlarge the terms of reference of the Committee to include all expenditures to March 31, 1951, and information pertinent thereto.

After discussion, and the question having been put on the said motion, it was negatived.

Mr. Drury tabled the following statements, which are printed as appendices to this day's minutes of proceedings and evidence:

Appendix A: Recruiting Expenses Paid to Other Government Departments and Agencies and to Non-Governmental Agencies, 1947-1950.

Appendix B: Estimates, Total Expenditure, Enlistments and Average Expenditure per Enlistment, 1947-1950.

Examination of Mr. Drury was continued.

At 6 o'clock p.m. the Committee adjourned until Thursday, May 3, at 11 o'clock a.m.

A. L. BURGESS
Acting Clerk of the Committee.

MINUTES OF EVIDENCE

HOUSE OF COMMONS,

MAY 1, 1951.

The Standing Committee on Public Accounts met this day at 4.00 p.m. The Chairman, Mr. L. Philippe Picard, presided.

THE CHAIRMAN: Gentlemen, we have with us again this afternoon the deputy minister of National Defence. I think he has some answers to questions asked at previous meetings.

Mr. C. M. Drury, C.B.E., D.S.O., E.D., Deputy Minister of National Defence, called:

Mr. FLEMING: Before you get launched on that, may I just say that at the conclusion of the last meeting one matter had been disposed of—your ruling; and there had been an appeal. I indicated there was another motion I would like to bring in and it is along the same line.

The effect of the Chairman's ruling without dwelling on it, as upheld in the committee, is that the committee is confined in its study to expenditures up to March 31, 1950. I think, for a number of evident reasons, particularly with regard to our inquiry into the expenditures of the Department of National Defence where activities have been greatly accelerated within the next following twelve months, that the work of the committee will be much more effective if the scope of its terms of reference is enlarged. Therefore, Mr. Chairman, I move that the House be requested to enlarge the terms of reference of the Committee—to include all expenditures to March 31, 1951, and information pertinent thereto.

The CHAIRMAN: Mr. Fleming moves: That the House be requested to enlarge the terms of reference of the committee—that is the Public Accounts Committee—to include all expenditures to March 31, 1951, and information pertinent thereto.

Are there any remarks?

Mr. CROLL: Mr. Chairman, it would appear to me that if we went to the House with that request the House would almost laugh us out of the House. The first thing the House would ask is: Have you completed the job we have already set for you, before you come asking us for further jobs to do?

We were given a reference to do a certain job and it is a bit surprising to know that after perhaps half a dozen or eight meetings—I do not know how many—

The CHAIRMAN: Nine.

Mr. CROLL: —that no one here has even referred once to the book of accounts. I do not recall one slight reference to the public accounts containing some \$400 million of expenditures spread over 65 or 70 pages. For that reason, Mr. Chairman, it would seem to me that until such time as we are finished with the job that the House gave us we ought not to go back and ask for any further work to do—and one does not relate to the other. When we are finished, and if there is ample time, we can very well then ask for further references. Until then I am opposed to it.

Mr. FRASER: Mr. Chairman, Mr. Croll has said that no one has referred to the public accounts. That is not true—

Mr. FLEMING: No, it is not true.

Mr. FRASER: I do not think it is. I referred to the report on National Defence, to March 31, 1950—

Mr. CROLL: That is not the public accounts.

Mr. FRASER: But I based my question on an item in the public accounts.

Mr. CROLL: I apologize most humbly. One man did once refer and ask one question.

The CHAIRMAN: The work referred to us is the book on public accounts. As I said the other day the figures there total more than $1\frac{3}{4}$ billions and the type of work we have selected this year, by unanimous consent, is the review of the public accounts of the Department of National Defence, \$387 million.

I would dare anybody to say that we have dealt in more than a few thousands of dollars or a few hundreds of dollars, and never in detail.

Mr. LARSON: Would it not be correct to say that the accounts for the ensuing period have not been published or audited, so the only way we could do that would be to go right into the Finance Department for the figures? I do not think that is within our scope.

Mr. FLEMING: The motion does not refer to accounts; it refers to expenditures—expenditures up to March 31, 1951 and information pertinent thereto.

The CHAIRMAN: May I say that expenditures have to come before a body of the House. They must be audited and reported to the House. The last accounts that are reported by the Comptroller of the Treasury and audited by the Auditor General are contained in this blue book.

During the war we had two separate types of committees, a War Expenditures Committee that carried on for the current year, and the Public Accounts Committee.

Now I am not discussing the advisability of whether this motion should be passed or not, but I say at the moment the only accounts that have been audited and therefore that we can deal with are those that are in this book—because the others are not published and they are not even audited.

Mr. CRUICKSHANK: Well, I agree with Mr. Larson entirely, that we should not go into them unless they are audited, but I do not agree with Mr. Croll. I do not think that his argument holds water at all, but it would be nothing but a fishing expedition if the accounts had not been audited at all.

Mr. CROLL: Question?

Mr. FLEMING: May I just answer one or two points that have been raised. I will be brief.

First, the matter of audit of the accounts. The Public Accounts Committee is not an auditor; it is the Auditor General who does the work of auditing. The House deals all the time with information that is based on expenditures as reported by departments—expenditures that have not been audited, and have not found their way yet into the public accounts. This committee in times past has had lots of expenditures reported to it and it has interested itself very much in expenditures—even before those expenditures were audited. The committee is quite capable of attributing to any reports of expenditures not yet audited the weight that should be attributed to them, lacking formal audit and certification by the Auditor General.

The CHAIRMAN: I would suggest expenditures not actually appearing in the public accounts might come before another committee—and that committee is the House of Commons—that is from the government. As far as we are concerned at all times the Public Accounts Committee, even during the war, was not entrusted with expenditures not reported in the public

accounts. A special committee during the last war was organized. In the third year I was chairman of one of the subcommittees and we dealt in actual expenditures. The Public Accounts Committee, itself, by its own name, deals with the public accounts and for accounts to be referred to it they have to be published and given to us by the Comptroller of the Treasury. Mr. Fleming says that the committee is not the auditor but there is the Auditor General of Canada and there is the Comptroller of the Treasury—and we have not their report past the 31st of March, 1950.

I do not say that we should not get the information; I do not say anybody is not entitled to ask as you have that we should deal with them—that is a matter of opinion, a matter to be discussed in the House. However, how can we go before the House and say: "Let us extend our work," when we have not even started with the tremendous amount of work entrusted to us.

Mr. FLEMING: May I just complete what I was about to say. So far as the necessity of expenditures being audited before coming to the committee is concerned, that is completely answered by the reference to the War Expenditures Committee. There the committee was dealing with current expenditures in advance of audit and in advance of publication in the public accounts, so there is not any argument there at all.

On the point Mr. Croll has raised there is nothing fixed or predetermined about the scope of the Public Accounts Committee. The Public Accounts Committee in times past has referred to its items of legislation or review.

The CHAIRMAN: You are perfectly right.

Mr. FLEMING: And we have had information already this year—as a matter of fact for this—that when the announced amendments to the Consolidated Revenue and Audit Act are introduced in the House they should be referred to this committee for review. There is nothing in the way of authority to say this committee must be confined to what is already contained in the published public accounts bearing the certificate of the Auditor General.

As for the other point which Mr. Croll has raised about our not having yet completed what was referred to us, of course we have not, but the answer is that we could do a much more effective job on the accounts for the fiscal year ended March 31, 1950, if our scope of reference was enlarged as proposed in this amendment. I suppose half a dozen times already we have brushed up against the date line of March 31, 1950, where we are not able to judge as to the wisdom of policies reflected in expenditures.

The CHAIRMAN: May I point out that happened three times and those three particular times arose at the last meeting.

Mr. FLEMING: We ran into it at another meeting when the vice-chairman was in the chair. We have already been confronted with the problem of the date line and it is hampering the work of the committee. We run into it on things arising either out of evidence given by Mr. Drury or out of paragraphs he has read in answer to questions by the committee. Naturally, if the committee is going to inform itself adequately it is going to be wanting to know, I trust in every case, what has been happening since the 31st March, 1950. Now, by the ruling which the chairman has made and which was upheld by the committee we are not going to be able to go beyond that date and I think the result inevitably is going to be that the committee's inquiry is going to be stultified.

In my amendment I have not made any reference to the accounts, I have simply proposed that we ask the House to permit the committee to do an adequate job. We will be working of course from the accounts for the fiscal year ended March 31, 1950, but I think it has been shown already in our study

of those accounts, that it is clearly necessary that we be permitted to get information about expenditures made within the next following fiscal year ending March 31, 1951.

The amendment does not refer to the public accounts; it simply asks that the House enlarge the scope of reference to include expenditures made up to March 31, 1951, and information pertinent thereto. I think it is perfectly obvious that this will enable the committee to do a more effective job—one that will be of general benefit to the House and the country.

Mr. LARSON: Would the honourable gentleman want for one thing to have the costs of the new F-86 Sabre fighter with the Orenda engine, with performance figures, to try and assess whether that expenditure for that type of aeroplane was proper?

Mr. FLEMING: I had not any one particular thing in mind, Mr. Chairman, but I think the committee has already appreciated its responsibility as to expenditures that have been made, to determine the propriety of them, and to be satisfied that value is being obtained for the money of the taxpayer that has been spent.

The CHAIRMAN: There is one word in Mr. Fleming's statement that I object to.

Mr. FLEMING: Only one word, Mr. Chairman?

The CHAIRMAN: My objection is that he said the committee would be "stultified". I do not think that it would be fair to say that. We have \$384 million and we have not started to look at \$1. Let us dig into a few millions in the past and we will be doing a good job.

Mr. FLEMING: In deference to your opinion, Mr. Chairman, which I respect, I would say that the word "stultified" might be a little strong and, if it will make anyone any happier, I will say "unduly confined".

The CHAIRMAN: The words are nearly synonymous.

Mr. CROLL: I am not so sure that we will be "unduly confined". It has been traditional that the work of this committee, as far back as I can remember and as far back as I have read about, should be on the public accounts and, in addition, other matters; but the committee has never been faced with the public accounts—certified or uncertified—for two years. We would then encroach upon the work of the next year which is the normal work of this committee. Most of us would miss it if it were not here then.

In addition to that, there is a very easy way for Mr. Fleming to get what he wants with respect to 1951. All he needs to do is to put a question on the order paper and get it there quickly so that he can compare the information while this committee is still sitting. Then, having had the answer I see no reason why whoever is speaking on behalf of the department would not make the necessary explanations; but if we go back to the House and ask for an enlargement of our duties we will certainly be faced with the question: What have you done so far with the work you have been given in addition to the other matters?

Mr. THATCHER: I was just going to ask you, Mr. Chairman; is it your intention, if this motion is defeated, to still allow a certain amount of leeway on matters of principle as you have done in the meetings up to now?

The CHAIRMAN: My attitude has been clear since the beginning that I would not necessarily object to any question because it is a projection past the 31st of March, 1950.

Mr. THATCHER: You will continue that policy?

The CHAIRMAN: Yes, but when it comes to actual expenditures, no. A question that would refer to the department generally asking has it improved conditions, on that I would be inclined to be very broad and allow it—I may

be wrong on that—if those questions project past March 31, 1950, but when it comes to pinning down any actual expenditures, no. I hate to see this information being refused because I think it might lead people to believe that this committee does not want this information made public—I would be far from insinuating that my friend, Mr. Fleming, would want to leave that impression with the people—but it is the impression that might be left and I think it is wrong because this committee is ready to work and go to the bottom of this book of public accounts and especially is ready to go right away into the operations of the Department of National Defence to the amount of an expenditure of \$384 million. Therefore, I am willing to co-operate to the limit and will not change my first decision, which you asked about, on the advisability of letting certain questions go through, but I will not allow any question on actual expenditures which are not in the public accounts.

Mr. MACDONNELL: Mr. Croll has, I think, given the reason and the only reason I can see for not voting for this motion and that is that what we are proposing to do is not traditional. That is a fair statement and I wish we were living in times that were a little more traditional, but we are living in unusual times and we should be looking at things afresh. If I understand you correctly, Mr. Chairman, you thought it would be very proper for this information to be made available to somebody or some committee, although not to this committee. I suggest to you if there is to be another committee set up and the job divided into two, and we are going to be stopped in our enquiries at March 31, 1950, that that would seem to me to be highly inefficient. If there should be somebody to whom this information should be given now it seems to me that the obvious committee is this committee which, if I may say so, Mr. Chairman, has reached a considerable state of efficiency under your chairmanship.

The CHAIRMAN: Thank you.

Some Hon. MEMBERS: Question.

The CHAIRMAN: It is moved by Mr. Fleming that the House be requested to enlarge the terms of reference of the committee to include all expenditures to March 31, 1951, and information pertinent thereto.

All those in favour of Mr. Fleming's motion raise their hands. Those against.

I declare the motion lost.

Shall we proceed with our order of business for the day and get the answers to some of the questions that were asked at the last meeting?

Mr. FRASER: May I ask a question, Mr. Chairman? Is it your idea to go through this report after you get the answers to those questions?

The CHAIRMAN: Which report?

Mr. FRASER: The initial statement.

The CHAIRMAN: As long as we have a witness before us he is available to answer any questions you want to ask him.

Mr. FRASER: But you are not going through the report?

The CHAIRMAN: Item by item—no, not especially the statement. The statement has been circulated and the members have had it for a long time. I think if any member wants to raise a point it will be in order.

The WITNESS: Mr. Chairman, the last time I was asked to explain the discrepancy as between a figure given by me of the three public relations officers for the air force out at stations, and the two air commands I subsequently mentioned. The discrepancy arises through a misunderstanding on my part as between years. In the fiscal year 1949-50 the R.C.A.F. had only two public relations officers, one at Trenton and one at Edmonton. In the subsequent year, the year just passed, the number was raised to three, an additional

one being set up in Winnipeg. That is the difference between the two and the three. In fact, in 1949-1950 the number of public relations officers for the air force was only two.

Mr. Fleming asked some questions as to the breakdown of moneys paid out on account of recruiting, and I have had these tabulated and mimeographed. Rather than read them out it might be easier to circulate the statements.

The CHAIRMAN: They will be attached to today's notes.

The WITNESS: I have enough to circulate to all members.

The CHAIRMAN: It will be attached to today's proceedings as an appendix. (See Appendix A.)

The WITNESS: Next, a statement of estimates, total expenditure per enlistment and the average expenditure per enlistment in the years 1947-48, 1948-49, 1949-50, also asked by Mr. Fleming who wanted an average figure of cost of advertising per recruit. (See Appendix B.)

At an earlier meeting a question was asked as to whether we enlisted people into the services, trained or untrained, as chiropodists. The answer is no. Chiropody is performed by assistants to medical officers and there are no men in the service who are solely chiropodists.

A second question, the percentage occupancy of hospital beds in the fiscal year 1949-50: for the navy, 38.2 per cent; for the army, 61.4 per cent; and for the air force, 32.2 per cent.

Mr. FULTON: Would you explain that? I do not quite follow you as to what you mean by percentage occupancy of beds.

The WITNESS: It is the average percentage of total number beds that are occupied throughout the year.

Mr. LARSON: Does that include beds in the sick bay of an air force station and that sort of thing?

The WITNESS: All the hospital beds under the control of the service in any service establishment.

Mr. LARSON: The percentage would be low because the sick bay of an air force station would be normally large enough to take care of emergencies but would not have, normally, any too many people in it at one time.

The WITNESS: That is correct.

Mr. FRASER: Are we open for questions, Mr. Chairman?

Mr. FULTON: I think there are some further questions that were asked at the last meeting that perhaps have not been answered yet. I asked Mr. Drury if he could give us the base of his statement to the effect of the divisional slice in Canada being higher than in the United Kingdom or the United States. I asked if he could give us the base for that statement. I also asked whether he would consider in the interval between the last meeting and this meeting if he could give us some idea of the number and name of the trained units we had at March 31, 1950, without infringing on any security requirements.

The CHAIRMAN: Seeing that you touched on this point, I think we might agree—anyway we might attempt to agree—that if the witness at any moment in his official capacity thinks that something, because of security provisions, should not be divulged that he should say so and not answer. Otherwise he has to answer questions or not according to his own judgment.

Mr. FULTON: Well, you remember at the last meeting the witness did not say specifically that he could not answer, he asked for time to consider the question.

The CHAIRMAN: I do not object to it. I say if he wishes not to divulge certain information, we should respect his desire in that connection.

Mr. FULTON: Yes. The question was specifically directed towards fighter squadrons of the R.C.A.F.

Mr. CROLL: Mr. Drury, just before you start answering questions, do you recall the question with respect to education of officers? Were you going to answer it today?

The WITNESS: No.

In regard to the numbers, identification, strength and fighting efficiency of the fighter squadrons—and General Pearkes asked a similar question in relation to the army—I discussed this with the security officers and they advised that this is not the type of information which should be published.

Mr. FULTON: Even as of March 31, 1950?

The WITNESS: Even as of a year ago.

Mr. CROLL: After listening to Mr. Claxton in the House today I thought he was giving the order of battle to the opposition.

Mr. FLEMING: Does he not give it to us every day?

Mr. CROLL: I did not look upon you as the opposition.

Mr. THATCHER: Would there be any objection to giving that information in camera?

Some Hon. MEMBERS: No, no.

Mr. THATCHER: I do not want to object but I do not see how we can figure or decide when such a vast sum of money has been spent, whether we are getting value for it if we do not know what we got.

The CHAIRMAN: The question of hearing in camera has often come up before committees on previous occasions. It has been objected to, first of all, by the opposition parties most of the time. It has been accepted when we had a small subcommittee on war expenditures when at times even the reporters were asked not to report anything. There were nine people in the room, there were no representatives of the press, and the responsibility of the nine people was not to talk about it. That was judged feasible at that time. Now, with a committee of fifty, with the reporters of the press present, if the witness in his official capacity states that he has been advised or feels that for security reasons he cannot give certain information to us I think you should accept that; otherwise you may bring the matter to the floor of the House to get additional information, but as far as this committee is concerned that closes the matter.

Mr. THATCHER: That may be right, but it seems to me we are going to be no further ahead if we don't know what we have got for all this money that we have spent.

The CHAIRMAN: I do not see why we cannot find it with the means at our disposal.

Mr. THATCHER: It is not in the book.

Mr. PEARKES: My question does not deal with any specific unit, I simply asked what was the Canadian divisional slice.

The WITNESS: I think, General Pearkes, you had a second question as to what units we had fit and trained to fight. If I misunderstood you, I apologize.

Mr. PEARKES: No.

The WITNESS: I had a note that that was your question.

Mr. PEARKES: No, my question was as to what is the Canadian divisional slice.

The WITNESS: On the Canadian divisional slice Mr. Fulton asked if we could relate those to the American and British published figures. I still have not been able to discover in the library the published figures. I hope to be able to do it today. If you will allow me until the next meeting I will then abandon the search or be able to deal with it fully.

Mr. WRIGHT: Will you do that, please?

The WITNESS: Yes, I will be able to dispose of it one way or another in any event.

Mr. CROLL: If the security people permit you.

The WITNESS: The security people will permit this.

Mr. HARKNESS: Well, now, Mr. Chairman, the actual question I asked was, what forces we had in the army as of the 31st of March, 1950; the units that we had and more or less what was involved was fairly well discussed in the House of Commons just about that period and I do not see how the question of security enters into the matter.

The WITNESS: I am not sure of the discussion which took place in the House, Colonel Harkness.

Mr. HARKNESS: It is a matter I should think which should be reviewed because I think, from the security point of view, there was sufficient discussion and so forth in the House to show pretty well what we had at that time.

The WITNESS: And you desire to get confirmation of what was said in the House?

Mr. HARKNESS: For the purpose of this committee; otherwise, I will have to go back to the discussion in the House and see what came out at that time.

Mr. MACDONNELL: Might I make this comment? I think we all desire to respect security to the full; on the other hand, I think it is extraordinarily difficult to get a regular pattern that is followed because, as Mr. Harkness has said, we seem to have a lot of information. Could we suggest this, that when we are given security as a reason for not having information given that those who are giving that view should at least try to satisfy themselves that we are running, let us say, along the same lines as they are in the United States and the United Kingdom; because I do think it is an extraordinarily difficult thing to say that this information can be given and not that. But as has already been pointed out, we seem to have been given information very freely in the House of Commons sometimes.

The WITNESS: I think that in practice we run somewhere between the United Kingdom, where these matters are not examined in public at all, and the United States where there seems to be more freedom.

Mr. CROLL: They are taking precautions with MacArthur—hearing him in private just for security reasons.

The CHAIRMAN: Do you suggest that these statements you are trying to get have already been given in the House?

Mr. HARKNESS: I would not say that the exact figures have been given in connection with units, but I would say that sufficient information was given so that there was little doubt what the situation was.

The CHAIRMAN: Shall we leave it this way then, that we will ask the witness to again consult with the security people and the Minister of the Department of National Defence to make sure that their views are reconciled before the matter comes further before the committee.

Mr. HARKNESS: That is all I ask, that the matter should be reconsidered.

The CHAIRMAN: Yes.

Mr. NOWLAN: Have you seen this issue of *The Saturday Evening Post*?

The WITNESS: Is that the report by the Allsops?

Mr. NOWLAN: Yes.

The WITNESS: I haven't read it yet.

Mr. THATCHER: Mr. Chairman, Mr. Drury is starting to answer a question which was put to him arising out of this report—

The WITNESS: To which report do you refer, to the report of the minister?

Mr. THATCHER: No, not the blue book report, the report that you made, your statement.

The CHAIRMAN: Oh, you refer to his statement; we had better call it his statement.

Mr. FLEMING: What do you think is the best way of going about this? Should we take up these answers to questions which Mr. Drury has brought to us today, or is Mr. Thatcher just going back to the statement?

Mr. CROLL: Let us finish this. We would like to get through with this once for all, otherwise we are not doing anything.

The CHAIRMAN: I have no preference about the one or the other, it is up to the committee to decide. The witness is here now with answers which have been procured to questions asked of him the other day. It is up to the committee. I do not see any objection to it. We have to come to it at one time or another.

Mr. FLEMING: Well then, let Mr. Thatcher finish his questions on this statement.

By Mr. Thatcher:

Q. I have quite a few questions to ask about this one item. I think they are all related. Mr. Drury said, on page 1; expenditures can be grouped generally into the following classifications:—and then I go on to (b) service equipment, stores and supplies. I would like to know first of all if by service equipment you mean the guns used by the services, and the armament—tanks and things of that kind; is that what you mean by service equipment?—A. That is service equipment.

Q. I wonder, Mr. Drury, take the public accounts for the year under review, if you could give us a rough dollar figure of what you spent on service equipment during that year as compared to our total expenditure? The reason I ask this is because I have not been able to find it and I thought you might have it.

The CHAIRMAN: We are getting into expenditures at last.

Mr. THATCHER: Perhaps you could just clarify it, Mr. Drury.

The CHAIRMAN: Order, gentlemen.

Mr. THATCHER: Can you say one-quarter or one-third of our defence dollar goes towards buying service equipment? I don't want you to have to go to a lot of trouble, but I wonder if you would have a breakdown of that?

Mr. CROLL: Do you mean everything, or just one group?

Mr. THATCHER: I am only interested at the moment in service equipment—guns, tanks, planes and that sort of thing—information of that kind.

Mr. CROLL: Oh, I see.

Mr. THATCHER: Equipment for each of the three services.

The WITNESS: I should have to be more fully familiar with this to be able to tell you what proportion precisely went into equipment. I cannot give it to you offhand.

Mr. THATCHER: Well, possibly you could get that; and I don't want you to go and dig up a lot of stuff, just give us a rough percentage. I think that would be suitable.

The CHAIRMAN: May I interject an observation here? It might be understood by the committee now that we are dealing with figures and we have nowhere in the public accounts for the year ending March 31, 1950, anything to indicate where this service equipment material is to be found; and now we are asked again to relate that to the amount of money that has been spent on it.

Mr. THATCHER: I do not know whether it is for security reasons or what it is for, but if you will look at your public accounts there is no place that I can see that tells you what you are getting for your dollar.

The CHAIRMAN: That is what you would like the witness to tell us.

Mr. THATCHER: In the book here it shows a figure of \$348 million, that is the appropriation. What I want to know is how can we get a breakdown, what did we spend for equipment? I wonder if Mr. Drury can give me that at the next meeting.

The WITNESS: We have the figure in the public accounts, roughly this classification C, which you will see on page N-24—

Mr. FLEMING: On what page, please?

The WITNESS: N-24.

The CHAIRMAN: Under miscellaneous.

The WITNESS: Yes, under C—equipment, stores and supplies.

By Mr. Thatcher:

Q. But that would not be a breakdown sufficient for my purpose, would it? That would not just be equipment by itself, it might be different supplies, it could be most anything.—A. That is correct. It is equipment and all the consumable items—food, and so on—that would have to be bought.

Q. Yes, and as I understand it, your department does not buy any of this equipment; it estimates the equipment it will require and then it makes a requisition on the other departments?—A. Yes.

Q. Well, about two years ago, I think the minister suggested—1949—that a great deal of money could be saved if there was arms standardization throughout the services and I was wondering if you could give the committee in rough some sort of a progress report as to what was done in trying to standardize your arms and cut down the cost of this equipment to the Canadian taxpayer?—A. Well, generally speaking, for any item for which there is a common requirement in the three services there is a common specification; for instance, food is common to the three services and in so far as specific local requirements are concerned they order the same standard of food.

Q. Perhaps you just did not understand my question, Mr. Drury. I was referring to page 52 of this report—he made this statement: “Tripartite arrangements for collaboration in military standardization among the armed forces of the United States, the United Kingdom and Canada, were announced on December 19, 1949, in Washington, London and Ottawa.” First of all, let us take this matter of small arms; what has the department done to standardize our small arms with those of the other nations under the North Atlantic Pact?—A. I apologize; I thought you meant standardization as between our Canadian services.

Q. Well, I am sorry; I did not make myself clear.—A. As between the three countries there has been in operation, as mentioned here, an agreement to standardize so far as practicable all the arms, equipment and operational procedures as between Canada, the United States and the United Kingdom. This has been functioning principally on a service basis; that is, the armies of the three countries have been endeavouring to consult and achieve a standardization of army procedure and army equipment.

Q. May I interject just a moment? You mention three countries. Does not that apply to all nations of the North Atlantic Pact?—A. Not this particular agreement here.

Q. Is anything being done to extend the same thing in principle to the armed forces of the other 14 nations or whatever it is?

The WITNESS: If the chairman would allow me to go beyond the end of the fiscal year.

The CHAIRMAN: As long as there are no figures being mentioned.

Mr. THATCHER: No.

The WITNESS: Since the date of this report there has been a meeting of the North Atlantic Defence Committee at which there was authorized to be created a North Atlantic standardization agency and this was set up and had its first meeting in January. The members of the agency are the United States, the United Kingdom, France and Canada—the three members of the standing group and Canada. As I mentioned, they had their first meeting, their organizational meeting last January. Under the chairman of the agency there are three boards, a naval board, an army board and an air force board, and they do standardization studies for each of the three services; and this is done, not only for the four countries represented in the agency, but also on behalf of all the NATO countries; but when a matter of concern to one of the countries not represented in the agency arises, such country has the right to be represented at the discussions.

By Mr. Thatcher:

Q. Is it the hope then to get all nations in the North Atlantic Pact using roughly the same weapons?—A. This is the idea. Some people hope that this will be achieved. Others have no hope that it will ever be achieved.

Mr. FLEMING: Is it a hope or an expectation?

The WITNESS: An expectation.

By Mr. Thatcher:

Q. There has been a good deal of press publicity recently about rifles. Can we deduce from that publicity that Britain has adopted one and the United States the other, and that this arms standardization program has more or less bogged down?—A. No. I would say rather that it is evidence of the difficulty there is in achieving standardization as between a number of countries.

I think that all that has been announced so far is that the United Kingdom has adopted the .280 caliber rifle, which they will bring into use at some future date. There has been no confirmation that this has been rejected finally by anybody else.

Q. I thought the British and the French had adopted the .28 rifle.

Mr. CROLL: That is what he said.

By Mr. Thatcher:

Q. But that is not the one which the United States and Canada are adopting.—A. The United States has not announced the adoption of a future weapon. We have now in Canada the .303. We are going to adopt the American .30. The .30 is what the Americans have now in large numbers. It is difficult to say at this juncture what the American weapon of the future is going to be.

Q. The .28 and the American .300 rifles?—A. The .28 has never been manufactured except as a prototype, and what the cost of production will be, I do not know.

Q. Newspaper reports state that it is much cheaper than the American model. I wonder if that is the reason the Canadians are falling in line with the American model rather than with the British?

The CHAIRMAN: Are we not coming to a question of policy here?

Mr. FULTON: On that point, Mr. Chairman, I would like to get this clear. The deputy minister stated that Canada has decided to adopt the .300. My recollection is that the Right Hon. Mr. Howe told us a short time ago that no decision had been made. Does what we are being told now amount to information that a decision has since been made and confirmed, to adopt the .300?

Mr. CAMPNEY: Is this not a question of policy, Mr. Chairman?

The WITNESS: I think the Right Hon. Mr. Howe was talking about a decision to manufacture in Canada.

By Mr. Fulton:

Q. His statement was, if I remember correctly, that we have not been able to make that decision because we have not decided what standard rifle would be adopted. I think that was the effect of his statement.—A. I think that some time ago that may have been true, because there was some doubt in our minds as to when a new weapon to replace the present American M-1 would come along. Obviously if a new weapon to replace the present American one is going to be introduced next year, we probably should not go ahead and take into use a particular weapon which almost by the time we got it would be replaced by another.

Q. I am not trying to get you to contradict the Right Hon. Mr. Howe.

Mr. FLEMING: Why not?

Mr. FULTON: Has it been decided to adopt the .300 as a standard rifle for the Canadian services?

The CHAIRMAN: Would you mind repeating your question, Mr. Fulton? There is a great deal of noise in the room.

By Mr. Fulton:

Q. Has it been decided to adopt the American .300 rifle as the standard rifle for the Canadian forces, particularly for the Canadian army?—A. It has.

Q. When was the decision made?

Mr. CROLL: I object to the question, Mr. Chairman.

The CHAIRMAN: The witness should be competent enough to decide for himself whether or not he should answer. If he does decide to answer, let us accept his answer. I do not think it is up to me to stop the witness if he cares to make a statement before the committee. It is up to him to decide whether or not he can answer. I know it is an extension, but I have accepted it as a principle and I think it is up to the witness to say: "I cannot answer this", if he does not want to. But if he does want to answer, I do not think I should prevent him.

Mr. FULTON: It is a very simple question, Mr. Chairman.

Mr. CROLL: Why not ask him "On what date was that announced by the minister?"

Mr. FULTON: It has not been announced.

Mr. CROLL: Yes, it has been announced. I have seen it in the press.

Mr. FULTON: Well, you ask him that, if you like.

The WITNESS: I shall answer by saying that I cannot recall it.

Mr. FULTON: Can you get that information for us at the next meeting?

The WITNESS: I shall endeavour to.

Mr. THATCHER: If we may believe newspaper reports again—

The CHAIRMAN: That is doubtful.

By Mr. Thatcher:

Q. The American type rifle is much more expensive than the British type. So I would like to know if Mr. Drury could tell us for what reason his department decided.

The CHAIRMAN: That is a question of policy. The witness has just stated that the .280 has never been introduced. So how can we decide whether it is cheaper or not if it has not been introduced?

Mr. THATCHER: It is not a matter of policy, Mr. Chairman. I would not think that the whole cabinet would decide what rifle is going to be used. I would like Mr. Drury to say.

The CHAIRMAN: Well, it is up to the witness to decide whether he should or should not answer a question when it comes within the purview of the committee.

Mr. FLEMING: You are right, Mr. Chairman.

The WITNESS: I am at a loss to know what to say, but I shall try, with your permission, to make an answer.

The CHAIRMAN: I do not take any responsibility for any statement that is made except those which are made by myself.

The WITNESS: This question goes to the root of the logistic reasons for our adopting American equipment.

As a small country which in time of war would have to depend to some extent upon others for supplies, we have come to the conclusion that the most desirable situation would be where all our allies had the same type of equipment. You could then rely on any of them for both initial supplies and for maintenance.

In the circumstances that all our allies have not the same type of equipment—and this is a fact—not a policy, but a present day fact—we have to decide where our supplies are most likely to originate.

Now, in the North American hemisphere there is, generally speaking, one industrial complex. We are on the same engineering standard as the United States, but it is a different engineering standard from the United Kingdom.

It is easier then to integrate ourselves with the United States rather than the United Kingdom as manufacturing units of military equipment.

In cases where it is more efficient and economical, and if we can turn out a greater volume, then this is the kind of equipment we should provide to our armed forces.

This is the kind of equipment we are going to provide to our armed forces. Hence, it is one of the large considerations in switching from a British pattern to an American pattern of equipment.

If we go on to an American pattern of equipment, our two supply streams, both manufacturing on the North American continent, with a very long chain of supplies from here to the theatre of war wherever it may be, should be completely interchangeable.

There undoubtedly will arise instances where a better and perhaps a unique weapon might be produced in some country other than Canada or the United States and for one reason or another not be adopted at once by Canada or the United States.

I suggest it would still be better for us to continue with the weapon which is geared to our manufacturing industry, and to the industry of the United States and the whole train of logistic supply, than it is to take on something which is distinct from that whole machine.

By Mr. Thatcher:

Q. Would it perhaps make it difficult to integrate the brigade into the British Commonwealth forces in future years if we adopted one type of arms? —A. That is correct. It would be difficult to integrate a Canadian brigade with American equipment into a British force with British lines of supply; and it would be equally difficult, conversely, to integrate a Canadian brigade with British equipment into an American division, with American lines of supply.

Q. You are assuming, I take it, that we may be more likely to be fighting with the Americans than with the British?

The CHAIRMAN: Let us not assume.

Mr. THATCHER: All right.

By Mr. Thatcher:

Q. The point is that with respect to these arms, I presume most of the arms that you have used are from the past war. You have not really been buying a great deal of new equipment?—A. In these estimates, in so far as the Army is concerned, there is not very much for new arms and equipment. The bulk of it is left over from the last war.

By Mr. Harkness:

Q. I would like to ask what was the standard sub-machine gun which was in use at the time we are considering or up to the present time? Was it the Thompson or the Sten sub-machine gun?—A. The Sten I think, although I am not too sure of it.

Q. Has there been anything decided on that, as was done in connection with the .30 rifle? Has any decision been made with regard to sub-machine guns?—A. Generally speaking, we are going to adopt the weapons which the Americans are using.

The CHAIRMAN: May I point out that we are on item C on page N-24 of the Public Accounts. The questions have extended slightly into the present, so long as they did not touch actual expenditures.

Mr. CROLL: This is very oblique, Mr. Chairman.

The CHAIRMAN: The witness is a responsible person, and if he does not want to answer, and if he feels that for departmental reasons he should not answer, he can say no. He is not a minor. It is not up to me to tell him that he should or should not answer.

Mr. BENIDICKSON: Is it not a question of what the majority of the committee itself wants to examine upon, Mr. Chairman?

The CHAIRMAN: I am in the hands of the committee. That is my own decision and I have been carrying on with it. But if the committee wants to change it, very well. I am in the hands of the committee.

Mr. CROLL: You have not been holding the committee to it, Mr. Chairman. I think we laid down a rule concerning what we are to deal with. We did that last week.

The CHAIRMAN: At the last meeting we did not have the pleasure of your presence, Mr. Croll. But I intimated at that time that as long as the questions did not actually bring in the question of expenditures, I would allow them to go even as an extension of the proceedings past March 31, 1950.

The witness may say: "I cannot answer"; or "I do not want to answer." He will not be forced to answer. The witness has a responsibility to himself, to his own department, and to his minister. And if he cares to answer a question, I do not feel as chairman that I should stop him. If someone else on the committee considers that I am going too far in doing that, let him censure me. I am willing to abide by another ruling if the committee so desires.

Mr. THATCHER: Last year we spent \$150 millions on service equipment. That equipment, I take it, would be standardized with other nations. All we are trying to do is to find out if we have been buying standardized equipment.

The CHAIRMAN: I would like to see where you get the figure you gave. I have \$28,982,000. That is the one we are reviewing now—service equipment, stores and supplies.

Mr. CROLL: Where is the \$150 million?

Mr. THATCHER: I do not know, I am just guessing.

The CHAIRMAN: Well, the figures are here. We are at page N-24. I do not think Mr. Thatcher should quote figures without having them in the book. It cannot be \$150 million when the book ties it down to \$28 million.

Mr. THATCHER: I asked Mr. Drury for the figure and until he gives it to me—

The CHAIRMAN: It is printed on page N-24.

Mr. CROLL: That includes food and clothing.

The CHAIRMAN: It would be less than that, but it could not be \$150 million.

Mr. THATCHER: Well, there are these aeroplanes—

The CHAIRMAN: That is another thing. Let us have the discussion as orderly as we can make it. You have brought an item to our attention. In Mr. Drury's statement on page 2, item (b), service equipment is mentioned. Now we have gone into that service equipment as reported at a given page. I think it is in order to proceed with it. I have allowed a few questions projecting into the future but I do not think one of the members ought to make a free statement of \$150 million—

Mr. THATCHER: I will withdraw that.

The CHAIRMAN: All right.

Mr. CAMPNEY: May we look at the three services?

The CHAIRMAN: I will take note of the apology made.

Mr. HARKNESS: Can I continue?

The CHAIRMAN: Certainly.

By Mr. Harkness:

Q. I think Brigadier Drury said that he thought the Sten gun was the one we were using as a sub-machine gun. That is correct, is it not? You said you thought it was the Sten gun?—A. That is correct, that is what I thought.

Q. You are not certain of it. Which gun do the Americans use?—A. Their automatic?

Q. Yes, their comparable weapon?—A. The Thompson.

Q. Well then has the decision been made to adopt the Thompson sub-machine gun?

Mr. CROLL: Mr. Chairman?

The CHAIRMAN: Make your point.

Mr. CROLL: My point is so well known to you there is no purpose in me saying it. We are now into something that happened a month or almost two months ago but certainly that has nothing to do with 1950. I do not see what relevancy there is at all.

Mr. HARKNESS: I will relate it in a moment or two.

Mr. CROLL: Well, relate it before we get an answer.

Mr. HARKNESS: Without getting an answer there is no purpose in relating it.

The WITNESS: The matter is still under consideration.

Mr. CROLL: Good.

Mr. HARKNESS: The cost of the Thompson sub-machine gun is very much greater than that for the Sten.

The CHAIRMAN: Can you establish that?

Mr. HARKNESS: I think the witness will corroborate that.

Mr. FULTON: We have seen it.

Mr. CROLL: We will agree on that statement.

Mr. HARKNESS: Therefore the cost of those two weapons or the cost to the taxpayer of using the one weapon over the other might make a quite considerable difference, and that is really the reason I brought up the matter of sub-machine guns.

Mr. JOHNSTON: May I ask a question? I am getting mixed up with all these military men here. Are we talking about standardization of weapons? We found out that the rifles are not standardized—the British are using one and we another. Then we find that sub-machine guns are not standardized—the Americans are using one and we are using another. What weapons are standardized?

Mr. LARSON: I submit that if we sent our troops into the field with Sten sub-machine guns the colonel would be horrified.

The CHAIRMAN: Mr. Johnston is asking the question.

By Mr. Johnston:

Q. What weapons are standardized, to see what progress we have been making?—A. Well, if this is an inquiry into progress made perhaps I should preface—

Q. Preface, but do not lead us down the wrong track.

Mr. PEARKES: The minister said the committee started to function in January of this year. How can he go on answering the questions?

The CHAIRMAN: It is up to him to answer it, General Pearkes. He is responsible.

Mr. PEARKES: We know that standardization between countries has not got anywhere yet.

Mr. JOHNSTON: Who is answering the question?

Mr. CROLL: There is a pretty intelligent answer from General Pearkes.

By Mr. Johnston:

Q. I am asking the witness.—A. Standardization is not so much related to the standardization of equipment currently in use as it is to standardization of equipment under development and to be brought into use.

Q. What progress have we made in that regard then?—A. That I am afraid I must on security grounds decline to answer; otherwise it will be obvious that I would be giving away—

Mr. FULTON: It would prejudice future discussions.

The WITNESS: Not only that, but I would be giving away not only American but British secrets in relation to the weapons they are developing.

Mr. JOHNSTON: As far as the information you can give this committee is concerned there has been none to date.

The WITNESS: I can give one item.

Mr. THATCHER: It has bogged down.

Mr. CROLL: No, no.

The CHAIRMAN: Let us not put words into the mouth of the witness.

The WITNESS: The three inch 50 naval gun, which is being manufactured both in this country and in the United States, has been adopted by the United States, the United Kingdom, and Canada as the standard close range naval anti-aircraft gun for all three.

Mr. CROLL: Very good.

The WITNESS: I can mention that because this is one weapon which is fairly generally talked about. I won't say anything further about other weapons under development.

Mr. JOHNSTON: Then the only thing we know of for sure is the naval one—

Mr. CROLL: The naval gun.

The WITNESS: The only one security considerations permit me to mention is the three-inch 50.

Mr. JOHNSTON: I think it is safe to assume that is the only gun so far that has been mentioned but there has been no standardization of rifles or small Sten guns or sub-machine guns?

The WITNESS: There has been no standardization of rifles.

Mr. JOHNSTON: What about sub-machine guns?

Mr. CROLL: He said they were under consideration.

The WITNESS: On sub-machine guns I would prefer not to answer.

Mr. FULFORD: Except it is safe to assume that progress is being made all along the line?

Mr. FULTON: I think the chairman said assume nothing.

The WITNESS: I might mention that this standardization work relates not only to specific items of equipment but a whole range of other activities. Now standardization has been achieved of both aerial and maritime navigational charts, which is a matter of some consequence. For both air and ground use fuel and lubricant specifications have been standardized and that is a substantial advance. It now means that it is possible for an aeroplane originating in the United States to refuel in Canada with the right fuel; to go to the United Kingdom and be refueled with the right fuel, and to know that it has got the right fuel.

There has also been marked progress in the standardization of operational procedures—communication procedures and so on.

Mr. FULTON: You are using the word "standardization" to cover the forces of all three countries and not just two?

The WITNESS: All three.

Mr. THATCHER: I wonder if Mr. Drury could deal with the standardization progress in the air force. I note in N-39 you spent \$36 million in the year under study—

The CHAIRMAN: I wonder if you would mind—before we leave this item? I thought when Mr. Thatcher was getting into service equipment that at last I would get some figures to put my hands on. I would like to ask the witness to give in his answer if possible a breakdown of statement "C"—equipment, stores and supplies, that have been bought in the year under consideration? The total item is nearly \$29 million. At least we will have that figure brought before the committee, even if it is the first one.

By Mr. Pearkes:

Q. Dealing with that question, I wonder if I might ask regarding standardization in our own forces—army, navy and air force, in the year under question. Prior to that time the operation, maintenance, and repair of motor vehicles of all three services was more or less unified. During April, I think it was, of the year under question, the sole authority for the operation, maintenance, and repair of motor vehicles for the navy was placed under the navy, for the air force was placed under the air force, and for the army was placed

under the army. My question is was how much money was saved by departing from the principle of unification in those services?—A. It would be difficult, Mr. Chairman, to answer that.

Q. I am sure it would be.—A. We have not had or we have barely had a year's operation under the new dispensation.

By Mr. Croll:

Q. Mr. Drury, why was that done? Fill that in; why did you do that? What was the purpose in doing that? Then perhaps you will help to answer the question.—A. The reason for doing it is that it was found that when the army, which was generally charged with maintenance and repair, undertook this work there was perhaps less of a feeling of responsibility for incurring expenses by the other two services than there should have been, and in fact when they were not themselves chargeable for this work they put in for more repairs than were necessary. It is very difficult to control this except fiscally. They did not take as good care of their motor transport as they might have had they been financially responsible for it entirely themselves.

Mr. PEARKES: Was not one of the first actions taken by the R.C.A.F. to buy three hundred new vehicles and to do away with three hundred vehicles they had been using at that time? According to the report of the department for the year under question that was so.

The WITNESS: It happened not very long after but I suggest in any event the army would have bought three hundred new vehicles to have replaced them.

Mr. CRUICKSHANK: They would never have got the money.

By Mr. Thatcher:

Q. On this question of vehicles the Minister of National Defence stated in the House last year there were 22,000 vehicles in the three forces. Would you have any idea how many of those would be passenger cars?—A. No, I have not a breakdown here. I have an idea the breakdown appeared in the answer to the question.

Q. No, the minister made that statement in his speech—it may have appeared later.—A. I am pretty sure we made a breakdown of the figures.

Q. How do you determine in the forces who will get passenger cars? Do they have to have a certain rank or are they attached to headquarters or how do you do it?—A. It depends upon the passenger lifting requirements of the unit in question.

Mr. CROLL: Are you both talking about the same thing? You, Mr. Thatcher, are talking about passenger cars and Mr. Drury, you are talking about passenger lifts? I think you, Mr. Thatcher, are trying to lead him to the point about officers riding around in cars.

The WITNESS: I was coming to that.

Mr. CROLL: All right, as long as you know what you are heading into.

Mr. JOHNSTON: You should be sitting over here, Mr. Croll.

Mr. CROLL: He is doing all right.

Mr. FULTON: I do not know why you are so worried, as a matter of fact.

Mr. JOHNSTON: Does your conscience bother you at all?

The WITNESS: The consideration given is the passenger lift required by a particular unit or station. If it is a large lift that is required at single and predetermined times, then buses are provided—large transport buses. If, however, the lift of people is in small numbers and at irregular times then passenger vehicles are provided. It is much more economical to move two or three people from place to place in a passenger car than it would be in a large bus, but where movement is large and of large bodies of men we use buses.

Mr. THATCHER: No, but who would assess what officers would be driven around in passenger cars?

The CHAIRMAN: Now, we have it.

Mr. PEARKES: In view of the importance which has been attached to the policy of unification between the three services, I am very interested in this first departure from that policy, the departure whereby during the year under discussion the three services broke away from that to look after their own vehicles both as to repair and so forth. I think we should get a statement, I am not asking for it today because I realize it will take some time to prepare, but surely there must be some statement which will show the relative cost of looking after the army, navy, and air force vehicles under a unified system and that of looking after them in a decentralized system by each service.

The CHAIRMAN: And the motives for instituting that new policy.

Mr. PEARKES: And I think I would like to ask, following up the same idea, whether the policy of unification has been found unsatisfactory in other respects and if there has been during the period under review a change—I am not asking anything about the future—but whether in the report under review there has been a change, for instance, were the dental services split up, each going back to the three services, army, navy, and so forth?

The CHAIRMAN: We will get that information at a further meeting.

Mr. PEARKES: Yes. I think this committee should have a full statement as to the reason why the accepted policy of unification has been departed from in this year and what advantages or disadvantages accrued from breaking away from that policy.

The CHAIRMAN: I would pass on that by stating that it is most in order.

Mr. PEARKES: Thank you, Mr. Chairman. It seems to me, to pursue the idea I tried to express a moment ago, I am asking, with your permission, for the witness to give us a breakup of item C—

Mr. THATCHER: Mr. Drury did not answer my question yet, Mr. Chairman.

The CHAIRMAN: Just a moment, and then we will go back to speculation.

Mr. PEARKES: —equipment, stores, and supplies, a breakdown of that amount for this year, \$28,992,104, (page N-24) and then on page N-27, you have at C, a description of what it is—I would like to have the \$28 million split up into the different categories mentioned at C on page N-27.

Mr. CROLL: If you will go to page N-43, you have there all the services, I think, N-43-E, equipment, stores and supplies.

Mr. BENIDICKSON: You have to go to N-31 and N-39.

The CHAIRMAN: You mean all of them?

Mr. BENIDICKSON: I think we might as well anticipate that requirement.

The CHAIRMAN: Just a moment so that the witness will not be confused. I think the requests from Mr. Croll and Mr. Benidickson are quite in order, if we extend that to all the places where in this report we find equipment, stores and supplies—that we have a breakdown of these amounts.

Mr. BENIDICKSON: The navy, \$24,755,904. (page N-31); the R.C.A.F. \$56,196,695. (page N-39).

The CHAIRMAN: Let us have a breakdown of all these.

Mr. FRASER: In the public accounts there are a number of items and I figure they all roughly come to a total of \$132 million.

The CHAIRMAN: Of what?

Mr. FRASER: Of equipment, stores, and supplies.

The CHAIRMAN: That is what we are asking the witness to break down.

Mr. FRASER: Yes, I think there is over \$132 million.

The CHAIRMAN: We are asking for a breakup of all of that.

Mr. FULTON: I would like to ask a question about equipment, stores and supplies which arises out of the detail on page N-8 of the public accounts.

Mr. THATCHER: Do not forget my question, Mr. Chairman.

The CHAIRMAN: Yes, but now we have some figures and I would like to keep on this for a short while.

By Mr. Fulton:

Q. I read from page N-8:

Under authority of P.C. 4115 and P.C. 4116, August 24, 1949, monthly advances are made to Canadair Limited for capital expenditures for production and supply of aircraft. Recovery of these advances is being made on progress claims submitted monthly by the contractor. The amount of \$3,646,500 outstanding at the close of the current fiscal year represents advance payments for the months of January, February and March, 1950, which will be cleared in 1950-51.

May I ask the witness what aircraft were being supplied by Canadair during the period referred to in that detail and what numbers of aircraft were supplied and what types?—A. No aircraft were supplied during this period. We took delivery of no aircraft at all, not a single aircraft, during this period. This is the initial expense required in order to tool up and manufacture components, acquire raw materials and get into a position to turn out finished aircraft. During this fiscal year, we received no finished aircraft at all.

Q. What was this tooling up for, for F-86's?—A. Yes.

Q. This was a tooling up job, as far back as 1949?—A. Yes.

Mr. THATCHER: Where did you get the tools from, the United States, or did you manufacture them here?

The WITNESS: I am not too sure of all the details. We deal with these matters through a third party; the contract to do this work was between the Minister of Trade and Commerce and Canadair. Generally speaking, there are two classes of tools, one is machine tools, the actual machine which cuts metal, wood or whatever it may be, some of which come from Canada and some from the United States. There is another large element of expense in what is known as tooling which in fact represents the cost of acquiring or manufacturing in the plant itself of a number of jigs in which these aircraft are built, various fixtures built for holding components of the aircraft during manufacture and so forth. Most of that tooling is of Canadian origin.

Mr. FULTON: Could I ask the deputy minister if he would tell us what the total amount of advances to Canadair was for the production of F-86's during the fiscal year 1949-50?

The CHAIRMAN: You mean from the Department of National Defence, where to find it, in the public accounts?

Mr. CROLL: Mr. Chairman, Mr. Sellar was questioned in connection with that practice with respect to Canadair which consisted of, as I understood, a revolving fund that was available to them, and it is all in the earlier part of the record. He was questioned at length on that particular item or a similar item.

Mr. FULTON: If it is in the record then the question will have been answered, but my specific question was to find out just what this production of F-86's is costing us.

The CHAIRMAN: What you want to know in this committee is if there is anything else but this, and where to find it.

Mr. FULTON: What I wanted to know and I did not see it in my search of the accounts of this year, I have not seen any total of advances made to Canadair for the purpose the minister described. I wonder if from his departmental records the deputy minister could get us the amount of advances made to Canadair on account of the manufacture of F-86's.

The CHAIRMAN: The total payment made to Canadair on account of the manufacture of F-86's?

Mr. FULTON: Yes.

The CHAIRMAN: Up to March 31, 1950.

Mr. FULTON: If it is confined to that period.

Mr. FRASER: May I ask a question on this item of stores, equipment and supplies. I would like to know what was the fire loss on storage of equipment for year ending March 31, 1950 and also the same on buildings belonging to the services. I suppose the chairman would not let me have that for 1951?

The CHAIRMAN: No, I do not see there is any purpose in it.

Mr. FRASER: And I would also like to know, on stores, equipment and supplies, how often an inventory is taken of these items.

The CHAIRMAN: That could stand as a notice to be answered at the next meeting.

The WITNESS: On the first question, Mr. Chairman, I would suggest that you will have to wait for me to produce those figures. I haven't got them here and I cannot break it down from this report. On the question as to how often these inventories are taken, that varies from unit to unit. In the major depots there is in effect a continuous running inventory kept by a card system. In the smaller units—the local quartermaster's stores—there is both an annual inventory required, or a stock taking required, accompanied by an audit; and, from time to time, at irregular intervals, a surprise audit by our internal audit staff is made, together with a stock taking to make sure that the things are as they should be. This surprise audit is at no specified interval at all.

By Mr. Fraser:

Q. Is there a duplicate of that inventory kept at headquarters, or some place? What I am getting at is this; in case an inventory was taken and a card index was kept at the ordnance stores and if you had a fire, then it is all gone. Are these card inventories sent on to headquarters; and, if so, how often? —A. Well, the formal inventory, the annual stock taking, would only be sent in once a year and there is a copy of that at the larger depots. That is the general system. There will be small variations. There is a stock card record kept of the holdings of all the big depots or ordnance stores. So there is a dual system, a duplicate record of the holdings of all units. In case the R.C.A.F. depot at Calgary burned down, we would know right away from our central records what amounts of what had gone up in smoke.

Q. I wanted to make sure, and I wanted to find out just how often these inventories were taken so you could check up in the case of a fire such as the one we had just the other day, so we would know what was in, and what was out. —A. Well, the duplicate record in the central stock office would reveal that.

Mr. FULTON: May I ask a question similar to the one I asked about Canadair with respect to A. V. Roe. Perhaps before doing so I should ask the deputy minister whether any advances were made to A. V. Roe during the fiscal year under review with respect to the C.F. 100's.

The WITNESS: There were advances made.

Mr. FULTON: Would you give us the same breakdown as I asked for with respect to Canadair F-86's for the A. V. Roe Company?

Mr. PEARKES: And might I ask if you would include in that any amounts relating to the conversion of the Lancaster marine reconnaissance planes; whether that was done during that period or not?

The WITNESS: There was some overhaul of Lancasters during this period but not the particular conversion to which you refer. That came later.

By Mr. Fleming:

Q. On the subject of breakdowns, what is the basis of the overall functional breakdown within the department?—A. I am not sure, Mr. Fleming, that I understand your question.

Q. Well, is there such a thing as a functional breakdown of all estimated expenditures? When you make your estimated expenditure do you do it on a functional basis? Do you keep it in categories established on a functional basis?—A. No. It is done primarily on a service basis.

Q. So there is no real functional breakdown available; you would have to work through the individual items to get that?—A. Yes, and this book discloses the way in which the accounts are kept; you have first the navy and then the naval reserve; then the army and then the army reserve; then the northwest highway system; then the Northwest Territories and Yukon signal system; then the air force and the air force reserve. To give the expenditure on any one item, tools say, you have to go through each of these and add them all together.

Q. Then there is no bookkeeping done within the department which normally bring these items together?—A. Not as a general operation. If the total expenditure for any one thing is desired it would be taken off and added together.

Mr. FULTON: There is another question I should like to ask, Mr. Chairman. I have looked fairly closely through the section dealing with the Department of National Defence and I simply cannot put the material together that I want so I am going to have to ask the deputy minister to get it from the department for me. I would like to know what total was spent on barracks and similar army construction, army barracks and army accommodation, service accommodation, during the year under review.

The CHAIRMAN: That would come under equipment, stores and supplies when we get that breakdown.

Mr. FULTON: No, Mr. Chairman, this is barracks.

The CHAIRMAN: Oh, yes; barracks and stores.

Mr. FULTON: What I want to know is about buildings, and what amount was paid in architects' fees with respect to that type of construction during the year.

The WITNESS: You want the total on construction and the total on architects' fees?

Mr. FULTON: Yes. When I say construction I don't exactly mean houses, like married quarters in the form of a house, but what you call barracks, armories, huts, camps and so on—that type of construction. If you can't give me a breakdown on that you might give it to me as closely as you can.

The WITNESS: Would that include workshops?

Mr. CROLL: Yes, as a part of a barracks.

Mr. FULTON: No, I am thinking of accommodation of the nature of armories, barrack buildings, and so on.

The CHAIRMAN: And officers' messes.

The WITNESS: But not office accommodation or workshops?

Mr. FULTON: I do not suppose you can really break it down. Let me put it this way. What I had in mind would be this: Let us say you build a camp

at Debert—the question of the type of building, general layout, may be very similar to the type of camp you would build say at Windsor or Vernon. That is going very far back into history. One would think that would be a very standard form of construction, and yet it appears that architects are employed each time, although it would not appear to be necessary to have supervision by an architect each time a more or less standard type of barracks building is constructed. If you were starting on a new type of construction such as an individual house for officer accommodation then I would admit readily there is need for the employment of an architect. I am not interested in that at the moment. I am interested in the standard type of army construction; how much you spent on it during the year, and how much you paid to architects by way of fees in connection with that construction.

Mr. THATCHER: Would that not be on page N-24?

The WITNESS: What page, please?

Mr. THATCHER: N-24.

Mr. NOWLAN: On that point I would like to ask the deputy minister a question with respect to consultant's fees. There are a large number listed and they are all specified as to location except (a) and (c). Is there any reason for it being carried in that way? Would it be for security reasons that locations are not mentioned? I would like to know the services rendered for these fees amounting to \$55,000 in the case of (a) and \$84,000 in the case of (c). I presume they are for architect's fees.

The WITNESS: I am not sure that I have the place.

Mr. NOWLAN: That is on page N-24, consultant's fees. I was particularly interested in (a) and (c). You see there that Currie Barracks gets so much. I was wondering if the reason for that was security; if not, could we have the locations where these moneys were spent?

The WITNESS: I would like to confirm it.

Mr. NOWLAN: Yes.

The WITNESS: But I would think that (a), to James Adam, was for designing the type of thing that Mr. Fulton had in mind, a standard company armory or a standard two-battalion armory.

Mr. NOWLAN: Could you give us the location?

The WITNESS: We may not have that. This is like a standard barrack block building, a question of design. When we erect it, it may need some modification, made necessarily by an architect, to get it to fit the ground. The standard building is what the fee was paid for, and in most cases this type of building is designed to fit flat ground, but if the ground does not happen to be flat you may have to have a substantial change, say a change in foundation, and extensive modification is needed.

Mr. NOWLAN: Can you confirm that?

The CHAIRMAN: Now might I ask, Mr. Fulton, do you want a breakdown of all this construction or only what you mentioned, the barracks, armories and so on, because as you can see there is quite a wide range in type of construction.

Mr. FULTON: I am interested mainly in barracks and army camps, barracks and camps for the forces.

Mr. CROLL: I wonder, Mr. Chairman, whether Mr. Thatcher could have an opportunity now of putting his question.

The CHAIRMAN: I am sorry, I thought Mr. Thatcher had asked his question and received the answer. Would you mind repeating your question, Mr. Thatcher?

Mr. THATCHER: Before I repeat my question, might I suggest very respectfully that perhaps at our next meeting we might start on the details of this.

Mr. CROLL: Good.

Mr. THATCHER: If we are just going to pick out items I do not think we will get so far ahead.

The CHAIRMAN: Well, you can ask any questions you like about any item in the report.

Mr. FLEMING: Well, while you are on that, Mr. Chairman; I am still waiting to ask a question myself.

Mr. CROLL: Never mind, you will get a chance next week.

Mr. THATCHER: I think the minister stated in the House last year there were 22,000.

The CHAIRMAN: You are very much interested in the minister.

Mr. THATCHER: Yes. I want to find out how many passenger vehicles there are—I am still not convinced—I don't know what Mr. Drury said about passenger vehicles. I am not clear in my own mind as to the qualifications you are supposed to have to be able to get an automobile to run around in.

Mr. LARSON: Join the army and find out.

Mr. CRUICKSHANK: I was in the army and I didn't have one.

Mr. THATCHER: Does a colonel automatically get a car; or, how do you check on the many types of cars there are?

The WITNESS: This has always been a difficult question. In the field in operations under the war establishments which we have now and which we got from the British there are provided in the war establishment a scale of what they call staff cars. In the case of a corps headquarters, the corps commander has a staff car and there is a further number of staff cars allotted as a pool to the staff headquarters. The purpose is to transport them about. The number most desirable has been arrived at over a considerable period of time, both in war and in peace in the United Kingdom.

In a division, the next lower level, there is a car personally for the general officer commanding, as General Pearkes will bear me out; and staff cars are provided for staff officers at divisional headquarters.

At the brigade level, there is provided a staff car for the brigadier.

Mr. CROLL: As you can testify.

The WITNESS: No staff cars are provided for the brigade staff.

It is this scale of provision generally which we have tried to carry over with such adjustments as have been necessary from the wartime corps, division, brigade and so on into peacetime establishments in this country.

Now, the adjustments that have been made have resulted, generally speaking, from pressure by soldiers to have more cars, and pressure by the civil side to give them fewer.

By Mr. Thatcher:

Q. I do not wish to be facetious, but I notice in Ottawa an awful lot of officers being driven around by privates. Possibly it may be in the line of duty; but why do not some of the officers learn how to drive? Would that not make a saving?—A. I suggest that would be one of the most expensive things we could do.

Q. Could you tell me how many private chauffeurs of that nature we have in the active service?—A. There is, generally speaking, one per car.

Q. Does that mean thousands?—A. One per car in use. It has been found—and with this I agree—that the only way to operate a car satisfactorily is to put one man in charge of it, to make him responsible, and to let no one else drive it, no matter what his rank, officer or not.

Otherwise there is the danger of a certain amount of irresponsibility creeping in, and it will be said: "After all, it is not my property." They would not take as much care of it and look after it as well as they would if the responsibility for it could be directly chargeable to one man.

Mr. CRUICKSHANK: Why should an officer be allowed to have a car come to pick him up at his house and take him down to Cartier Square in the morning? We are paying for this.

Mr. THATCHER: And late at night.

Mr. CRUICKSHANK: Well, the minister and his parliamentary assistants work late at night too. There is more ill feeling caused by army cars running around. I object to this. I do not like to use military titles, but I will say that Captain Cruickshank did not have a car. I personally as a taxpayer object to it. You were not speaking about in the field.

The WITNESS: In the field.

Mr. CRUICKSHANK: If anybody can tell me that this jerkwater town is in the field, I would like to know it. I am not going to give you the name, but I know of a case where an army car calls at a certain house every morning and takes an officer down to his office, while another army car calls at that house and takes the children to school. The taxpayers have to pay a lot of money for that. I believe that whoever is in charge at Ottawa is very irresponsible in the way he permits cars to be operated within his jurisdiction.

If you go out on Wellington Street during the appropriate period, you will see a three to five ton truck going along with a few small boxes in the back of it. People are wondering about these things. Those are the people who are having payroll deductions taken from them by way of income tax just to pay for this sort of thing. Then in two or three minutes time you will see another big car coming along with a small box about that size (indicating) in the back of it and with four men in the back going along to handle it. That is the sort of thing that causes a lot of dissatisfaction, and it is not to be wondered.

Mr. JOHNSTON: Is there no regulation governing the use of them? Surely there must be a regulation that an army officer must not use a staff car except for military purposes.

The WITNESS: That is correct.

Mr. CRUICKSHANK: I can understand it, if it is in the field; but I cannot understand the "lift" within headquarters. I think a general should have his car, if he is acting in any official capacity. But surely there is some further check in the way these army cars are indiscriminately running around.

I am certain about this case because I myself got a ride in the darned thing from the Grill at the Chateau Laurier to the House of Commons. He said: "I will get my car." And he got it and dropped me at the House of Commons while he drove over to Cartier Square. It would have done us both good to have walked that distance. This man was not a general. He was a captain. Are army cars permitted to run about indiscriminately at the taxpayers' expense?

Mr. THATCHER: We are alarmed if this is the general practice.

The WITNESS: I would agree that there appears to have been an abuse in some way of the car situation, if what Mr. Cruickshank has said is the case.

Mr. JOHNSTON: What is the rule which applies to it?

The WITNESS: There is a pool of cars in Ottawa. It is operated as a pool, and no car is allotted to any one officer. Officers may, for purposes in connection with duty, make use of a car, if it is necessary.

Mr. CRUICKSHANK: What ranks of officers in Ottawa in the National Defence department are entitled to be brought to work in the morning by a car? Surely that must be on the record. It should be apparent in the bills.

The WITNESS: As a matter of practice the chairman of the Chief of Staff Committee and the three chiefs of staff are usually transported to work.

Mr. CRUICKSHANK: And they are the only ones?

The WITNESS: They are the ones.

By Mr. Fleming:

Q. You say that that is the practice; but what is the regulation which is laid down?—A. The regulation is that the cars are to be used on duty only.

Q. But by whom?—A. By officers.

Q. Any officers?—A. Any officer, if his duty requires it, yes.

Mr. CRUICKSHANK: Surely a man is not coming on duty if he is being brought to work in the morning? I do not care what his rank is. Is it being followed through?

The WITNESS: I hope it is and I will check into it to see if in fact captains are going to work in the morning in army transport.

Mr. THATCHER: You said you would save money by having one car-driver to each car. But if you have many active service personnel tied up there, you could buy a new car every year and be no worse off than by paying \$2,000 for an army private. I do not see how that saves money necessarily.

Mr. FLEMING: I would like to ask the witness how many cars there are in the pool here.

The CHAIRMAN: Do you mind letting Mr. Thatcher's question come first, Mr. Fleming?

Mr. FLEMING: I thought it was a statement and not a question.

The CHAIRMAN: I know, but that is how Mr. Thatcher often puts his questions.

Mr. THATCHER: The witness is going to give us the number of passenger cars there are, at the next meeting; and would he also get for us the number of chauffeurs driving around in the officers' commands across the country, driving these cars? I do not mean chauffeurs in the field, but how many active service personnel have we got?

The CHAIRMAN: In Canada at the moment?

Mr. THATCHER: All right.

Mr. CAUCHON: It is six o'clock, Mr. Chairman.

The CHAIRMAN: There is a further question, I think.

Mr. FLEMING: If the answer requires no inquiry to be made, how many cars are there in this pool for National Defence headquarters?

The WITNESS: It requires an inquiry.

Mr. FLEMING: I just wanted to ask you now.

The CHAIRMAN: The committee now stands adjourned until Thursday morning, May 3, 1951, at 11:00 a.m.

APPENDIX "A"

RECRUITING EXPENSES PAID TO

	1947-48	Fiscal Year 1948-49	1949-50
(1) <i>Other Government Departments and Agencies</i>			
Canadian Broadcasting Corporation	\$ 836.62	\$ 178.50	\$ 760.72
National Film Board	—	—	447.55
Department Public Printing & Stationery .	7,467.69	44,806.10	23,275.59
Post Office Department	—	145.80	—
Canadian Arsenals Ltd.	—	—	1,305.25
(2) <i>Non-Governmental Agencies</i>			
French Advertising Services	26,377.26	143,057.24	63,465.91
MacLaren Advertising Company Ltd.	63,759.77	350,541.41	330,635.29
Ronalds Advertising Agency Limited	53,625.21	199,940.77	266,015.77
Walsh Advertising Agency	—	—	119,153.98
Expenditure for press, radio, exhibitions, etc.			
(a) Headquarters	9,118.65	17,759.37	35,825.75
(b) Local (i.e. in Commands)	30,716.73	91,161.74	156,724.49
Total	<u>\$191,901.93</u>	<u>\$847,590.93</u>	<u>\$997,610.30</u>

APPENDIX "B"

STATEMENT OF ESTIMATES, TOTAL EXPENDITURE, ENLISTMENTS AND
AVERAGE EXPENDITURE PER ENLISTMENT—1947-1950

	Estimates \$	Expenditure \$	Enlistments \$	Average Expenditure per Enlistment \$
1947-48				
Navy	78,500.00	33,171.50	1,081	33.68
Army	114,500.00	78,085.97	4,723	16.53
RCAF	97,000.00	80,644.46	1,587	50.81
Total	<u>290,000.00</u>	<u>191,901.93</u>	<u>7,391</u>	<u>25.96</u>
1948-49				
Navy	278,800.00	236,246.10	2,103	112.33
Army	196,500.00	328,413.57	4,579	71.72
RCAF	207,000.00	282,931.26	3,618	78.20
Total	<u>682,300.00</u>	<u>847,590.93</u>	<u>10,300</u>	<u>82.12</u>
1949-50				
Navy	300,000.00	205,088.94	1,782	115.08
Army	410,000.00	430,599.41	3,322	129.62
RCAF	311,935.00	361,921.95	3,488	103.76
Total	<u>1,021,935.00</u>	<u>997,610.30</u>	<u>8,592</u>	<u>116.10</u>

SESSION 1951
HOUSE OF COMMONS

Government
Publications

STANDING COMMITTEE

ON

PUBLIC ACCOUNTS

CHAIRMAN—MR. L. PHILIPPE PICARD

MINUTES OF PROCEEDINGS AND EVIDENCE

No. 10

THURSDAY, MAY 3, 1951

WITNESS:

Mr. C. M. Drury, C.B.E., D.S.O., E.D., Deputy Minister of National
Defence.

OTTAWA
EDMOND CLOUTIER, C.M.G., O.A., D.S.P.
PRINTER TO THE KING'S MOST EXCELLENT MAJESTY
CONTROLLER OF STATIONERY
1951

MINUTES OF PROCEEDINGS

HOUSE OF COMMONS, Room 430,

THURSDAY, May 3, 1951.

The Standing Committee on Public Accounts met this day at 11.00 o'clock a.m. The Chairman, Mr. L. Philippe Picard, presided.

Members present: Messrs. Anderson, Ashbourne, Benidickson, Beyerstein, Boivin, Browne (*St. John's West*), Campney, Cauchon, Cavers, Croll, Cruickshank, Decore, Fleming, Fournier (*Maisonneuve-Rosemont*), Fraser, Fulton, Kirk (*Digby-Yarmouth*), Larson, Macdonnell (*Greenwood*), Major, Picard, Pinard, Richard (*Ottawa East*), Robinson, Thatcher, Warren, Wright.

In attendance: Mr. C. M. Drury, C.B.E., D.S.O., E.D., Deputy Minister of National Defence.

The Committee resumed consideration of the public accounts relative to the Department of National Defence, for the fiscal year ending 31st March, 1950.

Mr. Drury's examination was continued. The witness first tabled various statements which were ordered printed as Appendices to to-day's minutes of Proceedings and Evidence, as follows:

Appendix "A"—Statement showing expenditure made for service equipment in 1949-50 and what is included therein.

Appendix "B"—Payments made to Canadair, Ltd., in connection with the development and production of F.86, to March 31, 1950.

Appendix "C"—Payments made to A. V. Roe Canada Ltd., in connection with development and production of C.F. 100—during fiscal year 1949-50.

Appendix "D"—Tri-service summary of fire losses for fiscal year ending 31st March, 1950.

Appendix "E"—(i) Constructions and alterations (buildings other than married quarters) 1949-50.

(ii) Architectural and engineering services (buildings other than married quarters) 1949-50.

(iii) Payments for constructions and alterations to buildings (other than married quarters)—1949-50.

(iv) Payments for architectural and engineering services in connection with construction of buildings (other than married quarters)—Fiscal year 1949-50.

Appendix "F"—Breakdown of Department of National Defence expenditure items for equipment, stores and supplies appearing in public accounts of 1949-50.

He, thereafter, orally answered a few questions asked of him by members, during former sittings of the committee, and other questions relating to the statements tabled by him at the meeting of May 1 and appearing as appendices "A" and "B" to the Minutes of Proceedings and Evidence of that day. (*See Volume 9*).

And the examination of Mr. Drury still continuing; the said examination was adjourned to the next meeting.

At 12.45 o'clock p.m., the Committee adjourned to the call of the Chair.

ANTOINE CHASSÉ
Clerk of the Committee.

MINUTES OF EVIDENCE

HOUSE OF COMMONS,

MAY 3, 1951.

The Standing Committee on Public Accounts met this day at 11.00 a.m. The Chairman, Mr. L. Phillipe Picard, presided.

The CHAIRMAN: Gentlemen, we have with us again today the deputy minister of National Defence, who has some answers to questions asked at the previous meeting. I think that after he has given these answers we can revert to answers given on Tuesday on which some members have questions to ask. That will give time to the members to think of what has been tabled this morning and if they want to ask questions, they will have time to prepare them. So, we will first have the answers tabled by Mr. Drury and then revert to Tuesday's answers on which some members have some questions to ask.

Mr. C. M. Drury, C.B.E., D.S.O., E.D., Deputy Minister of National Defence, called:

The WITNESS: The first question: Mr. Thatcher wished to know what proportion of total expenditure was for service equipment in 1949-50, and what was included in that. I think, Mr. Thatcher, you only wanted a rough proportion?

Mr. THATCHER: Yes.

The WITNESS: The proportion is 19·3 per cent of the total and that is in amount \$74,404,697. I have a breakdown here if it is of interest to you.

The CHAIRMAN: We will have it tabled.

(See Appendix A.)

By Mr. Thatcher:

Q. Is it mainly for weapons, planes?—A. The money was spent on ammunition and bombs, armaments stores, mechanical transport vehicles and spare parts, tanks, armoured fighting vehicles and spare parts, tractors, cranes and other engineering equipment, acquisition and construction of ships, repair and upkeep of ships and aircraft, naval and aircraft stores, aircraft engines, overhaul of aircraft, marine craft, photographic equipment, and some miscellaneous items.

The second question, asked by Mr. Fulton, was as to payments made to Canadair, Limited. In 1949-1950 the total payments were \$13,696,576.16. Now, as a matter of fact that appears in the public accounts, at page N-56. I mention this because it might be useful to members in future to have an idea as to where to look for those things.

Q. Mr. Drury, regarding that point, did you not say there were no F-86 planes turned out from Canadair in that particular year?—A. That is correct.

Q. Well, then, what was the \$13,696,576.16 for—was that in payment for tooling?—A. For tooling, capital assistance in respect of alterations to buildings, and there was another item—

Mr. FLEMING: You have a breakdown of the figure—you are including that in the record, Mr. Chairman?

The CHAIRMAN: Yes.

(See Appendix B.)

The WITNESS: Another item for North Star and Dakota work is included in the \$13 million odd. The North Star item amounts to \$3,129,154.02.

By Mr. Thatcher:

Q. If the chairman would allow me to project, as he calls it, were any planes turned out the next year?—A. Last year?

Q. Yes.—A. Yes.

Q. How many?

The CHAIRMAN: Well, now, that is something—

Mr. CROLL: Take it easy, take it easy.

The CHAIRMAN: Let us go on with the answers. It was agreed the answers would be tabled.

By Mr. Macdonnell:

Q. There is a question I would like to ask, Mr. Chairman, in connection with the item of alterations to buildings, and that is, Canadair altered what buildings?—A. There was a building—I do not know if you quite know Canadair's layout?

Q. The only point of my question is with regard to the expenditures we made for Canadair. You say, for other things, alterations to buildings. Now, I think of Canadair as constructors of aeroplanes and not as contractors. That is what made me ask what buildings were altered?—A. I do not say that Canadair necessarily did this work. In fact, we pay Canadair money part of which they pay out 100 per cent to subcontractors to do other work, such as manufacturing components. Now, they had to alter the interior of their production shops in order to carry out this new production job, and the alterations are alterations to their own buildings.

Q. That is what I wanted to know; that expenditure is in payment for alterations to their own buildings?—A. Yes.

Mr. THATCHER: Mr. Drury, with regard to Canadair, is this tooling for work done on F-86's or preparing to tool for F-86's?

The WITNESS: Most of it is for that purpose.

By Mr. Fleming:

Q. This really is for extension of the plant at Cartierville which was completed about a year ago; the new building there which is used for plane assembly?—A. The new building, I think, is used as a machine shop.

Q. Yes, I should have said machine shop, not an assembly shop.—A. I frankly do not know the details of all these figures in that the contract was negotiated by the Canadian Commercial Corporation with Canadair and we merely put up the money for what is required to get these planes manufactured. The actual contract and the contractual arrangements lie between the Canadian Commercial Corporation or the Minister of Trade and Commerce and Canadair.

Mr. FRASER: You would not know if this amount of money was included in the price of the aeroplanes that were turned out?

The CHAIRMAN: We will get the Canadian Commercial Corporation people here later on. They will be the ones to answer these questions.

By Mr. Fraser:

Q. Mr. Drury mentioned that \$3,129,154.02 was spent for North Stars and at the same time he told us no planes were turned out.—A. No F-86's were turned out.

Q. But North Stars were turned out?—A. North Stars.

Q. How many?—A. That I do not know. This is not spent on production of new planes, new North Stars; it is overhaul, repair work.

The CHAIRMAN: Shall we go on with the answers that Mr. Drury is prepared to table?

Mr. THATCHER: Yes, but on this one item: Mr. Drury, as deputy defence minister, do you not feel some concern that we spent \$13,696,576.16 and still have no planes?

The CHAIRMAN: I do not think that is a fair question.

Mr. CAMPNEY: He did not say that.

The CHAIRMAN: You can ask him about the contract as much as you want but it is not for the deputy minister to express an opinion of that kind.

Mr. FRASER: When will we have the Canadian Commercial Corporation people here?

The CHAIRMAN: As soon as you get down to figures and clear this official. Then, we can get the officials of the Canadian Commercial Corporation and ask them about figures instead of speculating about big guns and small guns.

Mr. THATCHER: But, Mr. Chairman, we have spent a large sum of money and have nothing to show for it.

The CHAIRMAN: If you want to ask anything of an official tomorrow in detail as to where that money has gone, that will be in order. If we continue discussing questions of theory, it is not up to the witness to answer such questions.

Mr. THATCHER: But that is a lot of money.

The CHAIRMAN: You can have the proper officials here and learn of the details of how that money was spent. You are asking to have the opinion of the witness on a matter that may be controversial. Let us get down to figures and see if it was the right thing to do to advance \$13 million.

Mr. FLEMING: I think we can all realize the situation, Mr. Chairman, that very often, and particularly in connection with the manufacture of new types of aircraft, you may make an expenditure one year and not get delivery of your plane until the following year. I think, if I may say so, that any unfair inferences to be drawn in that respect would be precluded if we were not tied down to the twelve month period ending March 31, 1950.

The CHAIRMAN: We are tied down by the reference and our work which we have to do and have not even started as yet. Let us get down to figures.

Mr. THATCHER: But did we get any planes the next year?

The CHAIRMAN: He said there were some. When we have the Canadian Commercial Corporation people here you can ask them about all the details of the contract.

Mr. THATCHER: Will they tell us how many planes we got?

The CHAIRMAN: I do not know. They will tell us how many were contracted for.

Mr. THATCHER: But how are we to know that the taxpayers got full value for the money spent if we do not know how many planes were delivered?

The CHAIRMAN: You will know when the next public accounts are brought up.

Mr. CROLL: No, no; he does not have to wait until then, Mr. Chairman. He can ask the minister on the floor of the House.

The CHAIRMAN: Yes, he can, but if you want to know, Mr. Thatcher, you know how to get the information in the House, so why do you not ask the question there?

Mr. THATCHER: Well, he will tell us it is security.

Mr. CROLL: Well then, it is security here, too. Has not Mr. Fleming the answer to Mr. Thatcher's question? He said it is obvious under some conditions to tool up plants and the results do not flow for six months or a year later under such circumstances; and that is what happened in this particular case.

Mr. THATCHER: To the best of my knowledge nothing flowed the next year either.

The CHAIRMAN: You can ask where that money was spent when the Canadian Commercial Corporation is here; and if you want anybody from the Canadian Commercial Corporation here I shall be glad to have them come right away.

Mr. MACDONNELL: Do I understand that really the Canadian Commercial Corporation covers the whole ground, assumes the whole responsibility, and the Department of National Defence just acts, as you might say, mechanically, in these items on the authority of the Canadian Commercial Corporation and does not interest themselves? Is that a fair inference from what Mr. Drury said? I am not saying that to be critical, I only want to find out how far the responsibility of the Canadian Commercial Corporation goes.

The CHAIRMAN: I would be very disappointed if they did not interest themselves. What the witness has said up to now is: They requisition what they want and the Canadian Commercial Corporation negotiates the contract.

Mr. FRASER: Mr. Chairman, out of this \$13,696,576.16 only some \$3 million-odd went for planes in that year?

The WITNESS: I will put it in another way, Mr. Fraser. The balance went to initiate the production of F-86's of which we received no completed aircraft in that year.

Mr. CAMPNEY: This is the same procedure that happens in civilian aeroplane production; they have to spend considerable money before production is started at all.

The CHAIRMAN: Have you finished reading this answer, Mr. Drury, so we can put it in as an appendix and carry on with the other answers and then get on with the discussion?

The WITNESS: I have not got a copy of this pencilled figure; I wonder if I could just take a moment to jot it down.

(See Appendix B).

By Mr. Thatcher:

Q. Do these F-86's fit into the army standardization program; is that the same thing as is produced in the States?—A. Exactly the same plane.

Q. I suppose you would save quite a bit of money because of that. You would be able to get a lot of tooling equipment from the States?—A. The tooling we would have to buy from the United States. We did get a vast amount of highly valuable "knowhow", as it is called, from North American Aviation who developed this plane. We did not have to pay the very substantial cost incurred by North American in designing and developing this plane.

Q. Do you happen to know whether that is going to be uniform with some of the other North Atlantic countries also?—A. It is not now. I think that is as far as I can go.

Payments to A. V. Roe, Limited, in total amount \$17,090,834.98; that figure appears on page N-62 of the public accounts.

Q. How many planes did you get for that?

Mr. FLEMING: Put it right on the record, Mr. Chairman.

The WITNESS: I will.

The CHAIRMAN: As soon as you have finished an answer will you kindly give it to us so there will not be too much other material coming in between.

(See Appendix C).

The WITNESS: Could I have a copy of this back, please? I only had time to have two copies prepared.

Mr. THATCHER: Could Mr. Drury tell us if for that \$17 million we got any planes?

The CHAIRMAN: In that year, you mean?

Mr. THATCHER: In that year.

The WITNESS: Not in that one.

By Mr. Thatcher:

Q. When were the planes actually delivered? Were there any delivered in that year?—A. In that fiscal year, no.

Q. Were there any deliveries in the next year?—A. Yes.

The CHAIRMAN: May I say in that connection, that we are not now—

Mr. THATCHER: Now, Mr. Chairman, that is \$17 million paid to the company and no planes to show for it.

The CHAIRMAN: Can you make a plane in a few weeks? How long does it take to make a hammer, or anything you sell in your hardware store?

Mr. CROLL: He said, some were delivered the next year.

The CHAIRMAN: Let us carry on orderly, let us have the answers, as I suggested at the beginning. Now, I will stick to that ruling. Let us have the rest of the answers brought in and then let us have discussion on the items left over from the previous meeting and then you will have plenty of time left to look at these and come back to them.

Mr. BROWNE: Mr. Chairman, don't you think there is some weight in Mr. Thatcher's question? Here is \$30 million and we are told that no planes were delivered that year.

The CHAIRMAN: He said, in that year.

Mr. BROWNE: Yes, I know he did; and he is a little doubtful as to whether there were any deliveries in the next year.

The CHAIRMAN: His answer to that was "yes".

The WITNESS: I am in no doubt at all that there were planes delivered in the following fiscal year.

Mr. BROWNE: Well, was it a substantial number?

Mr. THATCHER: That is a fair question.

Mr. FLEMING: Mr. Chairman, may I interpose an observation here. I have no objection to our asking all kinds of questions on this but I would like in fairness to the members of the committee to see it done in a systematic way. What I thought we had already decided upon was that the witness was going to bring in all the tables he had prepared in answer to questions at previous meetings and then in turn we would take these up in a systematic way. Now, I do suggest this, with all deference, that if we are now to have questions interposed in the middle of the submission of this statement we are going to be in a very chaotic condition by the end of the meeting.

The CHAIRMAN: That is exactly how I see it. I appeal to all the members to abide by the decision made at the start of the meeting and to which Mr. Fleming just referred. Let us get on with this statement now and then we can revert to the matter of questions with respect to answers given at the previous meeting.

Mr. CROLL: They will all be in the record.

The CHAIRMAN: Yes, they will all be included.

Mr. CROLL: The trouble about the record is that it will probably be four or five days late and I am afraid that we would not have an opportunity of reviewing them before the next meeting.

The CHAIRMAN: Well, the witness only had one day in which to prepare them; that is why in many cases he is able only to produce two copies.

Mr. CROLL: I see.

The WITNESS: Well, Mr. Chairman, if a reasonable amount of time is available to permit it I will have the detailed answers duplicated so that they can be circulated at the meeting. As you pointed out, Mr. Chairman, there has not been much time to extract these figures.

Mr. CROLL: I want to assure Mr. Drury that we are not finding any fault.

The CHAIRMAN: Will you carry on, Mr. Drury, please?

The WITNESS: I might just elaborate on this one item and discuss the figures for the A. V. Roe Company, Limited, and point out that they included not only the production of aircraft but also, unlike the Canadair arrangement, the design and development of the Orenda engine—the jet turbine engine—and the design and development of the C.F.-100; normally when design or development is undertaken there are very much more in the way of expenditures, very much higher expenditures before the aircraft is produced than in case of straight manufacture of an aircraft already developed.

Mr. BROWNE: Now, Mr. Chairman, that brings up this question—

The CHAIRMAN: We are not permitting any questions whatever to be put now. We are going to carry on with the answers and then we will revert to the questions submitted at the previous meeting.

Mr. THATCHER: Will we revert to this?

The CHAIRMAN: You can revert to this at a later time. We want to proceed in an orderly fashion.

Mr. THATCHER: You mean this year, do you? How do you revert to this?

The CHAIRMAN: I mean at the next meeting, if you want to; or, if we have time, at this meeting after we have dealt with the questions remaining over from our previous meeting. Would you carry on with the answers to the questions, please?

The WITNESS: The next item. This one is quite simple: Fire losses by the three services in the fiscal year 1949-50; R.C.N. \$13,277.50; Army \$457,928.60; R.C.A.F. \$754,880.34; for a grand total for all services of \$1,226,086.44. That will be appendix "D".

(See Appendix D)

Mr. FRASER: These are the fire losses for the year ending March 31, 1950?

The WITNESS: That is correct. Then, next; how many passenger vehicles were included in the return as to the total number of vehicles held by the department in 1950. Mr. Thatcher asked out of the 22,000 motor vehicles in the armed forces how many were passenger cars. The answer to that is 508 passenger cars of which 62 were in reserve and 446 in active use.

Mr. THATCHER: Mr. Chairman, should I question on that yet?

The CHAIRMAN: No, sir.

The WITNESS: Then, Mr. Croll had a question on education in the services for which the answer is not one which can just be put in the record in brief; I would have to speak to that.

Mr. CROLL: Read it.

The WITNESS: The purpose of the armed forces obviously is to train men to fight and we give instruction and education in the armed forces to the extent

that it is necessary to produce efficient fighting forces. Now, the amount of educational instruction to accomplish that purpose is quite substantial, largely because, as I mentioned once before, of the high percentage of technical duties in the three services. In the navy, 75 per cent of the enlisted men are tradesmen; the operation of ships is a fairly highly technical business and most men have to be tradesmen with trade training. Most of them receive this training in the naval institutions after entering. In the army 30·8 per cent, a lower figure, are tradesmen. And in the air force 96·6 per cent are tradesmen. In all three services the bulk of the trades training instruction is given within the service and not, I would say, received prior to entering. In addition to this trades training which is carried out at a very substantial number of schools there is instruction in the English language given to those of French-speaking origin who are going to undertake technical work. The technical language of the services and most of the technical books are in English and for that reason it is necessary to give those who can speak only French some instruction in the English language in order that they will be able to progress in their particular trade. The numbers so trained are not very substantial. The Royal Canadian Navy conduct classes at Cornwallis, in Nova Scotia, for this purpose. The army has a school at St. Johns, Quebec; and the R.C.A.F. have a school at Trenton. In addition there is given to potential tradesmen some formal education in arithmetic and elementary physics in order to enable them to absorb adequately the technical instruction they will later be given. This is academic education in addition to the technical instruction, but it is only given in the amount necessary to enable them to understand the future technical instruction they are going to be given. Each service, however, makes available facilities for all the men in the services to better their educational standards in their spare time. This is done principally through the medium of the Canadian Legion correspondence courses, and the obligations to pursue these rests largely with the man himself; there must be a desire existing in the man to pursue these studies and succeed in them. However, help is given in procuring the courses, advice on various questions in connection with the courses and supplementary instruction; in the case of the navy, the R.C.N. have now taken over the correction of the papers prepared by the men as a result of these courses. The navy have done this because they have found that the number who succeed in the courses—that is who pursue them successfully to the end—is very much higher than if the man is left entirely to himself, to correspond with the Canadian Legion authorities who run these courses of instruction. I could, perhaps, give you more on that but I will let the answer stand at that for the moment and if there is further detail wanted I could give that to you later.

Mr. CROLL: Yes, I would like to have you enlarge on it. You will remember the point I made arose as a result of your answer. You made the statement that there was an educational officer in the navy and the air force but that the educational officer had been dropped in the army—is that statement true?

The WITNESS: That statement is true.

Mr. CROLL: Well, that was the point I was making. Why was he dropped in the case of the army? Your figures today indicate that the army is in greater need of such an officer than perhaps the other branches of the service.

Mr. THATCHER: I thought we were going to receive all the answers now, Mr. Chairman.

Mr. CROLL: Very well, I will let the matter stand for the moment.

Mr. CRUICKSHANK: Let's carry on with this.

Mr. CROLL: I am prepared to let it stand.

The CHAIRMAN: Will you please carry on, Mr. Drury? It was a first offence, you know, Mr. Croll.

Mr. CROLL: Very well, let it stand.

The WITNESS: I have some more. I have extracted from the accounts in response to a query from Mr. Fulton, a breakdown by services of accommodation construction for the fiscal year 1949-50. The total is \$2,842,583.94. There is a further total of architectural and engineering fees for buildings, other than married quarters, paid in the same year, which amounts to \$282,036.88. I shall table this as the next exhibit.

(See Appendix E)

The WITNESS: And finally—

Mr. FLEMING: That is what they say in the House when they have fifteen minutes more to go.

The WITNESS: Finally, Mr. Thatcher asked a question as to the number of cars at National Defence headquarters. The number of passenger cars in the pool, or the total number of passenger cars at National Defence headquarters is 28. Of these, four are quite old Buicks, which are reserved in the garage for special ceremonial occasions.

Mr. CRUICKSHANK: Huh!

The CHAIRMAN: This is more eloquent than a question.

The WITNESS: For special ceremonial occasions such as the visit of the President of the French Republic and so forth. Of these 28, one is on standing detail to the medical inspection room for emergency cases. One is detailed for security mail to and from the Prime Minister's office and other government departments. One is detailed for National Defence security messages; and one is detailed for special duty for the directorate of intelligence.

Of the 28, normally one is off the road continuously, in rotation, for overhaul and maintenance.

The number of officers whom these cars served, in this fiscal year, was 1,152.

Mr. THATCHER: What is that amount again, please.

The WITNESS: 1,152. The rules regarding the use of staff cars in the Ottawa area are that they may be used for transportation on duty, provided that other public transportation is not available.

The way in which control is exercised is that in each of the directorates in the department, one officer is designated as the sole authority for calling a car; and in respect to all demands originating in that directorate, he is made responsible to the chief of staff for determining that in fact the car is required for duty purposes and no other satisfactory form of public transportation is available.

He alone can call the officer in charge of the motor transport pool and requisition a car.

The driver is required to have a work ticket to be signed by the officer using the car, stating the nature of the duty. The driver is further required to observe on the work ticket on return if there has been any abuse of the regulation.

Any abuses noted are reported to the officer in charge of the motor transport pool. And in this connection I might say, having made an inquiry, that there has been in the past two years only one instance of abuse by an officer.

Mr. THATCHER: Do you think that a private would report a general?

Mr. CRUICKSHANK: No questions!

The CHAIRMAN: Order!

The WITNESS: And that officer is no longer with the forces.

Mr. FULTON: Pretty drastic!

The CHAIRMAN: Does that conclude your answers?

The WITNESS: I think that will conclude the subject of motor cars, unless there are some further questions.

I have here a table which I had hoped would be duplicated by now. It is a table showing a breakdown asked for by the chairman, of the items for equipment stores and supplies appearing in the public accounts. This is an extract broken down into some seventeen headings. In a short time I hope to be able to circulate copies to the members of the committee.

The CHAIRMAN: I think we had better table your breakdown as appendix F; and when the copies are brought in, each member can get one right away.

(See Appendix F)

Mr. FRASER: Is the total amount given in that breakdown?

The WITNESS: Yes. The total amount is for the entire department, and it is \$116,384,552.83.

Mr. FLEMING: That will be printed in the record, Mr. Chairman?

The CHAIRMAN: It will be printed in the record at the end of today's report as appendix F.

The WITNESS: I think those are all the questions, the answers to which I have for tabling.

The CHAIRMAN: Now, we shall go back to last meeting's procedure, and if any questions are left on the different subjects, we can have them. After that we will take these in order, as they have been produced to date, to make sure if there are any further questions pertaining to those figures.

By Mr. Fleming:

Q. At the last meeting, Mr. Drury brought in two tables in reply to a question of mine. May I now ask two further questions? First, on the subject of recruiting expenditures on page 2, under "Other Government Departments and Agencies". And second, "Non-governmental Agencies". Is that table before you, Mr. Drury?—A. I am just looking it up now. I have the table in front of me.

Q. The first item is Canadian Broadcasting Corporation. Those are relatively small amounts. Are those broadcasts made directly on behalf of the Department of National Defence?—A. These would be largely for recordings of speeches made by the minister, and so forth.

Q. And by anyone else besides the minister?—A. My recollection is not very good, but I think it includes the chief of the general staff, the chief of the naval staff, and the chief of the air staff. They made broadcasts in connection with recruiting.

Q. The table shows no payments made to the National Film Board in 1947-48, and 1948-49, but that a small payment was made in 1949-50. What effect on your expenditures to the National Film Board has the clearing from the security point of view of the National Film Board had since this time?—A. In connection with recruiting?

Q. Yes, expenditures to the National Film Board in respect to recruiting.—A. There has been very little effect, in that these recruiting films which are for exhibition to the general public have no security classification.

By Mr. Fraser:

Q. Well now, Mr. Chairman, the figure given here is \$447.55. But on page N-56 of the public accounts the payment to the National Film Board is given as \$24,076.28; and on page N-57, the figure is \$32,769.53 paid to the Crawley Films; and on page N-59, it is \$11,766.17 paid to General Films Limited. Now, if only \$447.56 was spent on recruiting, what was the other money spent on?—A. We have produced, Mr. Chairman, a number of training films for use within the forces themselves.

Q. Well?

The CHAIRMAN: They are not for recruiting?

The WITNESS: Films and film strips; they are not for recruiting purposes.

By Mr. Fraser:

Q. You say they are not for recruiting purposes?—A. No, for actual instruction.

Q. That is, over \$67,000 was spent on films mostly for instruction purposes?—A. I have not added the figures, but I assume that is correct.

Q. It comes to about that; and they are just used for training and for no other purposes?—A. Well, principally for training. Now, I could not say that any film which has been produced primarily as a training aid has not been used for other purposes. I can think of one which perhaps a number of members may have seen. It is called: "Stand by to Jump". It was produced some considerable time ago as a training film for parachutists; and it was so good that it has been exhibited generally to the public. That is an example of the original intention having wider results.

Q. That would really have been used for recruiting?—A. It would have been used for recruiting, but it was not the intention when the film was produced to use it for recruiting.

Q. Yes. I saw that film and it was very good. Who was it made by, or do you know?—A. I do not know.

By Mr. Browne:

Q. Do you regard these figures as expenditures for recruiting?—A. As expenditures for recruiting?

Q. Yes?—A. That is quite a difficult question to answer.

Q. They amount to \$25 in 1947-48; \$82 in 1948-49; and \$116 in 1949-50; yet there was a drop in recruiting last year.—A. The return or cost per recruit of recruiting advertising indicates the ease with which people are brought in and the necessity for so doing.

Q. But this is all a professional approach. There is no patriotic approach in this. Everything is paid for. Is there any recruiting done on a voluntary basis outside of the members of the armed forces, I mean the officers?—A. Outside the officers of the active force or the reserve force?

Q. Anybody interested in recruiting?—A. There may well be; but there is no organized recruiting done by bodies other than the active forces and the reserve forces. The reserve forces are recruiting in quite a substantial number.

By Mr. Fleming:

Q. Mr. Chairman, on these items on the first sheet, before we come back to the material on the second sheet, what about this item for the Department of Public Printing and Stationery? What was the nature of this expenditure?—A. Those are booklets outlining conditions in the services, rates of pay, ways of obtaining promotion, and so forth.

Q. They were booklets prepared for the Department of National Defence?—A. That is correct.

Q. Then this item for the Post Office Department. What would that expenditure be for? You use franks on all mail.—A. I do not know just what that is, now.

Q. It is a small item; perhaps you could get the answer for us on it later?—A. I shall have the answer for you this morning, I hope.

Q. How did you have occasion to make payments to Canadian Arsenals Limited in the course of recruiting?—A. Canadian Arsenals Limited prepared some pyrotechnics, explosives, in connection with the exhibition held in Toronto

Q. In connection with the launching of the recruiting campaign?—A. That is right.

Q. Then, on French advertising service—is that an inclusive item for French language advertising service or is that a particular name?—A. It is a name. French, I think, is the name of one of the early owners.

Q. Your expenditures under this heading seem on the whole to have gone up pretty substantially—through these non-governmental agencies. I ask you again what has been the policy of the department with respect to retaining particular firms through which to channel these large expenditures of public money?—A. Those are the four principal firms in Canada doing this type of work.

Q. Well, doing this type of work—you mean recruiting work for the Department of National Defence?—A. No, advertising.

Q. Well, there are a number of other advertising agencies who do work on a national basis, are there not, Mr. Drury? I do not know whether I follow your answer.—A. Yes, but I do not think they are as large or as comprehensive as these firms.

Q. These were selected by the department. I presume you had nothing to do with the selection of those yourself?—A. Personally, you mean? No, I did not.

Q. That is a matter of ministerial decision?—A. Ministerial decision.

Q. Then, these expenditures for press, radio, exhibitions, etc., expenditures from headquarters and on a local basis, have shown a very substantial increase. Does that indicate any decentralization of control over expenditures in connection with these various recruiting campaigns or efforts?—A. Well, you will see that the expenditures by headquarters has risen in about the same proportion as the sums allocated to commands. I think it would be difficult to deduce from these figures here any tendency toward decentralization or otherwise.

Q. Shall we turn to the next statement?

Mr. THATCHER: Before we leave this, I think, Mr. Drury, that one of the concerns of your department—

The CHAIRMAN: Just a moment, please.

By Mr. Thatcher:

Q. I think one of the concerns of the department, and I suppose of most Canadians, has been the more or less apathy of citizens toward joining the reserve army. I understand that your main problem is getting enough men to join up. Do you feel this advertising campaign you have had on is enough or is it producing results, or, after spending that money, are we still finding ourselves in the same predicament—that we simply cannot get men to join up in the reserve?—A. As you will see from looking at the figures the minister has given in the House we are getting more men to join the reserves. The strength of the reserve forces is increasing for all three services.

Mr. THATCHER: I am not trying to put you on a spot, Mr. Drury—

The CHAIRMAN: Oh, no, no. Nobody believes that.

Mr. THATCHER: In view of the international situation do you feel they are joining up in conformity with the gravity of the situation? Do you feel our reserves—

The CHAIRMAN: We are investigating 1949-50.

Mr. THATCHER: Do you want more men or have you got enough men—

The CHAIRMAN: We are investigating 1949-50.

Mr. CROLL: The armed forces always want more men.

The CHAIRMAN: Why can we not ask pertinent questions?

Mr. THATCHER: If we are not getting enough maybe we should be spending more.

Mr. CAMPNEY: That is a matter of government policy.

Mr. THATCHER: I would not say so.

Mr. CRUICKSHANK: If I understand these figures we have the immense sum or number of 8,592 shown here, and it cost us \$116 to get each man in. I presume this includes reserve army and regular army—

The WITNESS: No, Mr. Chairman, this is just regular army.

Mr. FULTON: Are these advertising costs for the regular forces only, or the active forces only, or do they cover recruiting for all services?

The WITNESS: For all services, active and reserve. Now the results of this figure of \$116 per man are not shown for the reserve forces. If you were to add in the figure for intake in the reserve forces the \$116 would be quite a lot lower.

Mr. CRUICKSHANK: What I am trying to get at is: It is a terrific amount of money to get a man into the army and do you know how it compares with the corresponding advertising in the United States.

Mr. FULTON: They have a draft law down there.

Mr. CRUICKSHANK: Wait a minute, wait for me to ask these questions. They would have a draft here if I had anything to do with it.

Mr. FULTON: You and I will work it out soon.

By Mr. Cruickshank:

Q. What I am trying to arrive at is perhaps in the United States they can get 8,500 men for \$50 each. I will use that figure because I do not know what their costs are, but it costs us \$116. Have you that information?—A. I have not got that information, and it would take some time to get the expenditures on advertising and this kind of thing done by the United States armed forces.

Q. You have not got that?—A. No, I have not got that.

By Mr. Fleming:

Q. If there is difficulty in comparing these figures with figures of other countries abroad probably we could at least compare the figures for these three years in Canada. The 1947-48 figure is \$25.96; it jumps, in 1948-49 to \$82.12; and then in 1949-50 to \$116.10. How do you account for that extraordinary increase in the average expenditure per enlisted man?—A. Well there are two principal factors. First, beginning in 1947-48 we were not taking on very many men and it was after that we began increasing the size of the forces steadily. The rate of intake was increased, which requires a stepping up of the expenditure on recruiting expenses.

Q. But your figures on enlistment do not reflect much of an increase, Mr. Drury, and that is why I think we have to examine the figures closer. The 1947-48 figure on enlistment in round figures is 7,400; in 1948-49 it is increased by only 2,900; and in 1949-50 it shows a decrease of about 1,700.—A. Well, then we come to the second factor—that in addition to requiring more men the difficulties of getting them have increased.

Q. Well, for what reason? What are the difficulties you experience in that respect?—A. Partly, in the years immediately following the war there were a number of people who had found, during the war, that service life was not unattractive. They returned to civilian life and decided that that was not their role, and that it would be desirable from their point of view to get back into the service. By 1948-49 most of the people who had been undecided about this had made up their minds and we were in fact starting then to try and tap a new and inexperienced group. That has been going on very largely since then—with the exception of the Korean force which was made up of quite a large number of people with last war experience.

Q. The Korean campaign is not reflected in these figures at all?—A. No.

Q. This antedates Korea by two months?—A. That is correct.

Secondly, there is no doubt about it the rate of enlistment in the armed forces is determined to quite a substantial extent by the feeling of the public regarding the international situation—that is, from year to year. When things appear to be critical the rate of enlistment rises. When things appear to be going very well there is less interest.

By Mr. Cruickshank:

Q. Mr. Drury, following that why does it cost so much more? Surely to goodness in 1949-50, just two months prior to Korea, anybody in the world who knew anything knew things were serious. Why does it cost so much more to get them into the army then? I do not think your argument holds water.—

A. Well, that is of course an average for the whole year—and not related to the springtime before Korea. I do think there were those amongst the public who in March 1950 did feel that Korea was not going to turn into anything serious.

Q. Well, leave Korea out of it. I am not trying to argue the point but it does not seem reasonable to me. In the first three months of 1950 surely everyone knew that world conditions were critical. Forget Korea altogether, conditions were very critical. I do not see how your argument follows through—that it costs so much more to get them in this period.—A. Well, I am merely basing my statement on the figures of intake.

Q. Well, put it another way. I do not know whether you would happen to know offhand, but what was the proportion of our enlistments in the first three months of 1950? Was it low, medium, or high?—A. In proportion to what?

Q. The whole year.—A. Well, normally the first three months are the best months of the year. The winter months are the best.

Q. Then the first three months of 1950 up to the 31st March were better than the preceding nine months?—A. The preceding nine months—on the average.

Q. And yet the price is way up? Taking the same basis then in 1948-49 the figure was 7,820. We will presume the same thing held good—that the three months in the wintertime were better—in 1949-50 the figure was \$103.76—that figure is for the R.C.A.F.. I do not see how that argument follows.—

A. You asked me how the three months in the winter were in relation to the balance of the year and I made the general statement that the three winter months are normally the best three months of the year—they have a better average than the other nine months.

Q. Well, I accept that. Then, it would appear obvious that for the three months prior to Korea enlistment was down, or else it obviously cost us an awful lot more money to get the equivalent of the normal increase in the winter months.—A. It did cost us more money. That is correct.

Q. In other words, it would appear to me that, even with the effect of the Korean situation looming in the distance and a critical international situation, certainly if it increased our enlistments it cost us a lot more money.

Mr. FLEMING: May I carry on my questioning?

The CHAIRMAN: Well I want to keep it—

Mr. FLEMING: I was right in the middle of my questioning.

The CHAIRMAN: I want to keep it on one item but not the same person all the time.

Mr. FLEMING: It is hopeless to carry on any systematic questioning.

Mr. FULTON: Just to complete Mr. Cruickshank's question—

The CHAIRMAN: Mr. Major?

Mr. MAJOR: In view of the fact that you had spent increased money on advertising in 1949-50 as compared to the two previous years, could I be permitted to ask if resulting from that expenditure would there be any effect on the enlistment immediately following the 1949-50 borderline?

The WITNESS: Well, here I could say there was an increase in the following fiscal year. Now, whether that was attributable to results of advertising or whether it was due to Korea, is certainly open to argument. The fact is, and that is all I can say, our intake in the following fiscal year was quite a bit higher.

Mr. FULTON: But it is a fact your costs in terms of recruits have been going up steadily until they have reached a point now where they average somewhere between \$250 and \$300 per man on the basis of the figures which have been given in the House.

The CHAIRMAN: We are not dealing with that.

Mr. FULTON: I have been just asking Mr. Drury if the costs have been rising steadily until now they are in the neighbourhood of \$250 to \$300 per man on the present rate of recruiting or present rate of intake.

The CHAIRMAN: You are now getting into the expenditures of 1950-51.

Mr. FULTON: Well, I am just following through consecutively. Is it not permissible to ask the witness whether it is not a fact that his costs continue to rise?

The CHAIRMAN: Period. Your question is all right but not when you get down into figures. You can ask if the situation has improved as of such and such a date in the last year—period. You can ask the witness the broad question as to whether enlistments have improved after such a period—that is a question that can be asked, but not a question as to whether it is now taking \$250 to \$300; that is not relevant.

Mr. FULTON: We cannot get up to date information or particulars?

The CHAIRMAN: No.

Mr. FULTON: We have to wait twelve months?

Mr. CROLL: No, no, that is not fair either; you can get those figures if you ask for them in the House, but not here. You can get them on the floor of the House.

Mr. FULTON: I have done that, and I have them.

Mr. CROLL: Well then, if you have them, that is enough. We are dealing with the public accounts of 1949-50.

Mr. FULTON: Well, I want the information here so as to check.

Mr. THATCHER: Is it not becoming increasingly apparent from these figures that this method of getting recruits is becoming more and more ineffective? I mean, are we not getting to the point where perhaps, if we are going to increase our effective strength, we shall have to adopt additional methods.

Mr. CROLL: That is not for this witness to say.

Mr. FULTON: I want to ask another question, Mr. Chairman.

The CHAIRMAN: Let us get through with this one first.

Mr. THATCHER: As far as the reserve is concerned, would it be a fair statement to say that this scheme of advertising to get recruits, which I fully approve and think is justified in every way, has not been completely ineffective in getting your reserves up to the strength you want?

The WITNESS: Completely ineffective is a strong statement. I would say it is not a fair statement.

Mr. THATCHER: Let me question you this way then. Apparently, you had 43,000 paper strength in your reserve in December of last year—is that within the year under discussion, I think it is—

The CHAIRMAN: This table does not contain the enlistments of the reserve army.

Mr. THATCHER: I am concerned, Mr. Chairman, with this. Many of these reserve units have officers turning out but there are not enough men turning out for the officers to train. Would that not indicate that this kind of advertising is not effective in getting enough people into the services?

The CHAIRMAN: We are not on the reserve army, Mr. Thatcher.

Mr. THATCHER: I want Mr. Drury to answer.

The CHAIRMAN: Yes, but let us get the figures for the reserve army for this year.

Mr. THATCHER: All right, Mr. Drury.

The CHAIRMAN: At the moment it is only enlistments in the active army we are concerned with.

By Mr. Thatcher:

Q. Do you consider, as far as the reserve is concerned, that this type of advertising was sufficiently effective in getting you reserve recruits or were you disappointed with the results?—A. We were not disappointed with the results. It did not get us all the recruits that we would like to have in the reserve.

Q. Well, then, why would you not be disappointed?

Mr. CROLL: That is not a fair question.

The WITNESS: I think there is a distinction between disappointment and not getting all the results you like. I have in the annual report the figures for the increase in the reserves at appendix 3, page 89.

Mr. CRUICKSHANK: I do not suppose you would have any record, but as a matter of curiosity how many members of parliament joined up in the reserve army?

Mr. CROLL: Mr. Chairman, if Mr. Drury had brought in a statement and attempted to muddle these figures that Mr. Fleming asked for he would have been unfair to this committee because then it would not have reflected the cost at all. I think he was very fair to this committee to put it in on the active basis.

The WITNESS: That is what Mr. Fleming asked for.

The CHAIRMAN: Before we pursue this, may I say that the expenditure for publicity includes also the reserve forces so that when you say that \$116.10 is the average expenditure per enlistment it is hardly accurate because it is per enlistment in the active army; but when you take into consideration the reserve army you should adjust the figures for the reserve being included in there too. We have it on page 3. We should establish the percentages accordingly and that would give us the better figure to judge whether the publicity was sufficient or not.

Now, Mr. Fleming wants to pursue his first line of questioning, and we will give him the floor.

Mr. FLEMING: Thank you, Mr. Chairman.

By Mr. Fleming:

Q. Mr. Drury, you mentioned certain factors which you thought could be taken into account in relation to this rapid and quite striking increase in the

cost of average expenditure per enlisted man. Now, there was not very much change in the international situation in these three years that would account to any great extent for any rise or fall in enlistments.—A. In those three years, there was very little change, I think.

Q. So we can largely eliminate that, and as far as Korea is concerned in these figures, I think Korea came to all of us as a surprise so I do not think anybody foresaw up to March 31, 1950, the situation that would develop in Korea. Is there anything else you can point to as a valid explanation of this quite strikingly increased expenditure for advertising per enlisted man?—A. The reason for the quite strikingly increased expenditure per enlisted man is that this is the amount of money we found it necessary to expend in order to get into the active force the 8,592 men. Now, if you will ask me why for that expenditure more men did not come in, I cannot answer.

Q. I am going a little beyond that, and wondering if your expenditure, a good deal of it, is effective for the purpose for which it is intended.

Mr. CAMPNEY: As a matter of fact—may I interject a remark here, Mr. Chairman—I think Mr. Fleming stated that the world situation did not worsen particularly in the years 1949-50.

Mr. FLEMING: I said in these three years there was very little change.

Mr. CAMPNEY: I think in the last year there was a considerable change and recognition of it showed itself in the estimates. Certainly, in the last of these three years there was a very marked increased interest in international affairs.

Mr. CROLL: Mr. Fleming, if I may—

Mr. FLEMING: The witness' answer stands on that.

By Mr. Fleming:

Q. I will go on to another subject now: Whether it is not reasonably apparent that much of the expenditure being made for this purpose has not been effective for the intended purpose?—A. Well, of course, as a matter of opinion I would differ with your opinion.

Q. Well, let us go further than that.

The CHAIRMAN: Let the witness carry on with his answer.

By Mr. Fleming:

Q. I am sorry.—A. It is difficult, as was mentioned before, to examine any one year in isolation. We have here the three years, but I think that expenditure in one year must carry over some of the results into the following year.

Q. You should not argue that point with me, that is what I would like you to go on with, go on to the next year.—A. We have found that these expenditures coupled with the other factors of the situation have been producing the men in the numbers we would like and need.

Q. The numbers you would like— —A. And need.

Mr. THATCHER: All the men you want?

By Mr. Fleming:

Q. Do these figures reflect the fact that you have got all the men you needed in these three years?—A. Yes, in these three years we came up to our ceilings.

Q. And are you satisfied that all this money had to be spent, that these very large increases had to be paid in order to reach this limited objective?—A. Yes.

Mr. CROLL: Mr. Chairman, may I—

By Mr. Fleming:

Q. Let me invite your attention to the figures. In 1947-48, you enlisted 4,723 men in the army at an average cost of \$16.55. The next year 1948-49 you got for your money in the army 4,579 men and you paid \$71.72 per man to get them in. In 1949-50, you dropped considerably, to 3,322, and yet you show an increase to \$129.62 per man. Have you any comment to make on the army as distinguished from the other services?—A. This will obviously be a qualification of my earlier statement in that we had anticipated getting more men into the army for the expenditure than was the result.

Mr. THATCHER: Then you did not have all the men you wanted?

Mr. CROLL: No, no; for the other services.

The WITNESS: In the army, we did not get all the men we would have taken, no.

By Mr. Fleming:

Q. That is a qualification of your previous statement. In other words, you were not satisfied with the results as applied to each of the three services?—A. Individually.

Q. Were you satisfied with the results in regard to the navy?—A. Yes.

Q. Were you satisfied with the results in regard to the air force?—A. Yes.

Q. Were you satisfied with the results in regard to the army?—A. No.

Q. What was the extent of your disappointment? What did you expect to get in relation to what you did get?—A. I cannot answer that offhand.

Q. You can get that information?—A. Yes.

Q. Did you spend as much money as you had figured at the first of the year when you had set those ceilings?—A. I think we tabled the figures of budgets and expenditures.

Q. The same table shows what you estimated and what you actually spent, and so far as the army is concerned, in 1949-50, it shows you spent nearly \$21,000 more than you estimated at the beginning of the year, so that you actually spent more than you did when you set your ceilings and you achieved a substantially lower figure than the ceiling of intake for the army, than you had set when you fixed that estimate?—A. That would be correct. When the budgeted figure was not apparently producing results more was added to it, but the addition, again, did not produce entirely desirable results.

Q. If you were satisfied with the navy and the air force there is still a very substantial increase in the expenditures for enlisted men?—A. That is right.

Q. But even to reach the objective in those two services the cost went up very substantially?—A. That is right.

Q. But in so far as the army is concerned your expenditure per enlisted man had gone up in that period of time from \$16.53 to \$129.62 per man and at the same time your intake has gone down substantially, your intake of men has gone down substantially?—A. The intake declined.

Q. Well, substantially?—A. About 1,400.

Q. In the light of these figures what has been the subsequent experience; without, of course asking for any exact figure for the following year? Has this tendency projected itself beyond March 31, 1950?—A. No.

Q. I am speaking only of the tendency now.

The CHAIRMAN: That is all right. I will call you to order when I think I have to.

The WITNESS: No. Enlistments in the army in the following year were substantially greater than the figure shown for 1949-50.

By Mr. Fleming:

Q. Presumably because of Korea, but I am speaking now of the tendency for enlisted men—the tendency of average expenditure for enlisted men. We know the intake went up because of Korea, but I am speaking now of the tendency of the average expenditure for enlisted men to go up to this extraordinary amount.—A. The figures calculated on the same basis as this \$129.62, I might point out I haven't got here and I would hesitate to say whether the tendency has been marked in one direction or another.

Q. Would it be very difficult to get sufficient information on that?—A. You mean, as to what the tendency is?

Q. Yes.—A. No.

Q. I am speaking now of the tendency regarding enlistments, the tendency to increase the cost as per enlisted man.

Mr. CRUICKSHANK: Is it not true, Mr. Drury, that during this period it was necessary to pay more for enlistment in the army because of lack of attractive accommodation? I mean, the army did not have available—I don't know what you call it—as favourable accommodation, as in the case of the other services. Certainly in the past it has always been more disagreeable to carry a pack and do the foot slogging. You only have to look at your casualties to prove my point. With all due respect to the air force and the navy, the men in the army have a lot of things to do which are a great deal more unpleasant than what is required of men in the other branches of the service.

Mr. LARSON: There is a smaller proportion in the air force.

Mr. CRUICKSHANK: I said the air force and the navy. It is only necessary to look at the figures to see where the difference comes in; that is what I did, but the rest of you did not. I have respect for all ranks in all branches of the services, but I still say that your enlistment figures show that it is more difficult to get a man into the army. Everybody who has been a soldier knows who does the foot slogging, and who is doing it now, in Korea, today; and, is that not a fact, that it is more difficult to get enlistments in the army than in the other branches of the services; I mean, in your opinion, Mr. Drury; that is correct, is it not, in your opinion?

The WITNESS: Well, I should hardly have an opinion apart from these figures here.

Mr. CRUICKSHANK: I think you will agree with me that the figures show that—that the figures agree with me?

The WITNESS: The figures agree with you.

Mr. CROLL: Mr. Chairman, may I just follow that up? I understood the deputy to say that these costs are indicated in this table, that they cover both the regular army—the cost for advertising covers both the regular army and the reserve army; is that correct?

The WITNESS: That is correct.

Mr. CROLL: Well then, will you turn for a moment please to the report of the Department of National Defence at page 88, and the figures covering the same period, 1947-48, the totals indicate that in the active force there were then 35,419 enlisted personnel, and in the reserve, 36,662; and the next period, 1948-49, 41,676 active and 41,010 reserve; and in the 1949-50 period 47,185 active and 49,017 reserve. And I merely point that the appreciation in the reserve was even a little better than the appreciation in the active.

The WITNESS: That is correct.

Mr. FLEMING: Wait a minute, I think Mr. Croll in all fairness forgot to take the previous figure, the figure on enlistment. He cannot get that figure by the simple process of comparing the strength at a given time.

Mr. CROLL: I am using a comparable time applied to a common item which you see there.

Mr. FLEMING: And he is trying to draw an inference from that as to the changes which have occurred.

Mr. CROLL: That is right.

The CHAIRMAN: He merely compared one year with another.

Mr. FLEMING: That is what I am getting at. My friend is deducing enlistments by subtracting strength at the end of one year from what it was at the end of the preceding year; but in fairness I think—he has taken the figure here as of March 31, 1947, when the strength is shown at 41,563 for the reserve—in the first three years we are talking about, 1946, 1947, and 1948, strength showed an increase of 5,000.

Mr. CROLL: Oh yes, but if you want to go back to 1944-45, it was then 165,000.

Mr. FLEMING: Just a minute now, we are dealing with this table which was produced by the witness. Is that what you are taking?

Mr. CROLL: I am dealing with this table and I am relating the answers to this table, Mr. Fleming.

Mr. FLEMING: Well, this table speaks for itself. Following on that point we have this offset here—I understood Mr. Drury to say that in 1948-49, and subsequent years, he was in all the services having to appeal to a new generation of Canadians who had never previously seen service of any kind for the active force; is that correct?

The WITNESS: That was my statement.

Mr. FLEMING: That is your statement, and you made it. That is what was said. That perhaps did not apply to the reserve, but it did apply to the active force.

The WITNESS: To the active force.

The CHAIRMAN: When you answer would you mind saying yes, or no; and not just nodding?

Mr. CRUICKSHANK: Does that include the reserve?

Mr. CROLL: Let's finish with this first.

Mr. CRUICKSHANK: I just wanted to know if that included the reserve.

Mr. CROLL: I am dealing with that too. You could come back to that later, if you wish.

Mr. CRUICKSHANK: Sure.

The CHAIRMAN: The figures on expenditure include the reserve.

Mr. CRUICKSHANK: Well, Mr. Chairman, were you not discussing this? Were you discussing this table?

The CHAIRMAN: We are discussing not only this table but the item relating to the cost of recruiting, both with respect to the active force and the reserve.

By Mr. Croll:

Q. Just a second. I wonder if you brought this sufficiently to the attention of the public? If you don't agree with it you can say so. There is the period 1948-49, and subsequently during the period 1949-50—I am speaking now about 1948-49—did not the employment situation harden up to the point where you had to compete with industry for these people?—A. That is correct.

Q. In other words were we not at that time having full employment?—A. Generally speaking, that is correct.

Q. And you had to compete with them constantly for men?—A. We did.

Q. And then—I am not going to project myself beyond that for the moment.

Mr. CRUICKSHANK: I do not think that applies, they didn't join the army to get a job. That is not what you are suggesting, is it?

Mr. CROLL: No, no, George; that is not my point at all. My point is that we were attempting to attract these people into the army at a lesser pay than they could get in industry. Is not that a fact?

The WITNESS: That was then the case.

Mr. CROLL: Yes, at a lesser pay than they could get in industry.

Mr. CRUICKSHANK: That has always been the case.

Mr. CROLL: And to that extent it made it more difficult, did it not?

The WITNESS: That was the case.

Mr. FLEMING: Mr. Chairman, might I take it from there?

The CHAIRMAN: Just a moment. Mr. Cruickshank; did you have a question?

Mr. CRUICKSHANK: Yes, but it does not make any difference now.

The CHAIRMAN: I thought you might like to put your question now.

By Mr. Cruickshank:

Q. All right then, can you tell me this, Mr. Drury; had that not always been the case? Has there ever been a time when the pay in the army was more attractive than what it was outside?—A. Well, let us take—

Q. I am speaking of the suggestion made by Mr. Croll and I am raising the point that in the army—I am not talking about the other services, I am talking about the army—since 1939 has there ever been a time when civilian wages were not higher than they were in the army? Let's go back to 1914, has there ever been a time— —A. Unfortunately, my experience does not go back that far.

Q. All right then, I will go back, for the record, that say in 1914 it was \$1.10 per day and the pay was \$1.10 per hour in the shipyards. I submit there is no room for argument there. Now, look at the record for 1925-26, your active army was 4,334, and in 1949-50 it was 47,185; has there ever been a time during that entire period when civilian pay was not higher than army pay?—A. I think, generally speaking, that civilian pay during that period was higher than in the army.

Q. Of course it was.

By Mr. Croll:

Q. Mr. Drury, when was your army pay raised last?—A. Last December.

Q. What was the average increase, say percentagewise; can you tell us?

Mr. FULTON: Mr. Chairman, we haven't got that material to review.

Mr. FLEMING: Let's put that down, Mr. Chairman. Certainly Mr. Croll should have that information. I am very much interested in getting that information.

Mr. CROLL: I admit that I am in the wrong.

Mr. FLEMING: I don't think you ought to rule out that question, Mr. Chairman, in all fairness to Mr. Croll.

The CHAIRMAN: I don't see how I could let it go.

Mr. FLEMING: The honourable member has asked a question and he ought to be given the answer.

The CHAIRMAN: Yes, so long as it is within the boundaries of our reference.

Mr. CROLL: Yes, that is it.

Mr. FLEMING: May I ask a question directly within the period under review?

The CHAIRMAN: Yes.

By Mr. Fleming:

Q. Mr. Croll, referring to page 88 of the report of the department and by taking the figures of strength attempted to apply them with reference to enlistments in the reserve forces. I think you will agree with me that we cannot arrive at the number of enlistments simply by subtracting the strength at the end of the year from the strength at the beginning of the year, do you agree with that?—A. That is correct. You have to add into that arithmetical difference, in the case of the reserve force, the quite substantial number representing those who have withdrawn from that force during the year.

Q. But even on the rather loose basis on which this inference has been drawn as to the number of enlistments I think we will see in the year under review the strength of the reserve force dropped by 5,000 in round figures?—A. That is not correct.

Q. So that from that nobody is going to get very much in the way of an indication of the return for dollar expended. And then, in the second year under review, 1948-49, the increase in strength was about 4,400; was it not?—A. If my arithmetic is correct the total for the reserve would be 5,662.

Q. Now, if you look at the figure for 1948-49, the figure shows 36,662, and at the end of March 31, 1948, 41,010—I mean, 1949—an increase of 4,400 during the fiscal year 1948-49?—A. That is correct.

Q. Still leaving it below the figure as at March 31, 1947?—A. That is correct.

Q. And then in the next fiscal year, 1949-50, your increase in strength is 8,000 in round figures?—A. That is correct.

Q. That is the whole story, together with whatever clarification may be needed of this statement, exhibit B, I think.—A. The clarification does not give you the whole story in that we do not get the number of enlistments by merely subtracting strength.

Q. And it is subject to that reservation?—A. Yes, and in the case of the reserve it is quite a substantial figure.

The CHAIRMAN: May I just ask the witness to give us at the next meeting the number of enlistments in the reserve army for the three years that are included here, and that are included in the expenditures for enlistments. That can be arrived at.

The enlistments here comprise only the active forces. But I would like to have, at a further meeting, the enlistments in the same years for the reserve forces, so that a new average can be established and we would know actually how many men got into the army, whether it be the reserve or the active force.

Expenditures are made both for the active and the reserve forces, so we can arrive at the real average only if we have the total enlistments for both types. That is my question for the next meeting.

Mr. FLEMING: And that is to apply separately to the three services as well as in the total?

The CHAIRMAN: Oh yes, in the same way as we have had it here.

Mr. FLEMING: May I ask for some information along the same line, Mr. Chairman?

The CHAIRMAN: Is Mr. Thatcher's question pertinent to the one you are speaking of?

Mr. FLEMING: It is in regard to the reserve army. I have several questions. How many officers and other ranks, separately, in branches of the reserve army were authorized to train at all summer camps in the summer of 1949-50?

Mr. THATCHER: Before Mr. Fleming gets on with his question—

The WITNESS: The summer of 1950 is in the year beyond the fiscal year in question, which is 1949-50.

Mr. FLEMING: I am just asking for the number. I am not asking for the expenditure.

The CHAIRMAN: That is more than a projection into the future. It would require getting figures beyond the actual year which we have under review.

Mr. FLEMING: And my second question is: How many actually went, that is, again, broken down as between officers and other ranks.

The CHAIRMAN: Until the 31st of March, 1950.

Mr. FLEMING: I am speaking about summer camps.

The CHAIRMAN: If it comes after the fiscal year 1949-50, I do not think we should allow it.

By Mr. Fleming:

Q. And my third question is: How many units of various kinds carried out competitive unit training at the reserve army camps?—A. That is only in relation to the army?

Q. The reserve army. And about the summer of 1950, you will notice that I have asked only for the number of men who were (a) authorized to train at summer camps; and (b) the number who actually went. I am not asking for figures with respect to expenditures.

The CHAIRMAN: No. My ruling was to facilitate as much as possible our work, and that we should not have any projection. However, it is left to the discretion of the chairman. To a certain extent the chairman did allow a slight extension forward. We are not supposed to deal with anything past March 31, 1950, yet I extended the authority of the committee by allowing a lot of questions. But there is a limit and personally I feel that this is a question that would lead into the whole subject of enlistments from March 31, 1950 to now, so I cannot accept it.

Mr. FLEMING: You are going to accept it?

The CHAIRMAN: Only up to March 31, 1950.

Mr. FLEMING: At least to the summer of 1949?

The CHAIRMAN: To the summer of 1949, yes; up to March 31, 1950. Now, Mr. Thatcher?

Mr. THATCHER: I have forgotten my question, Mr. Chairman.

Mr. CROLL: He is mentally re-wording his question for a minute, so you may go ahead, Mr. Chairman.

Mr. FULTON: Mr. Chairman, I am sorry that I was not here at the opening of the meeting. I understand that Mr. Drury has answered the question that was asked at the last meeting with reference to construction costs and architectural fees.

Mr. CROLL: They are on the record for next meeting.

By Mr. Fulton:

Q. Were you able to answer the question with regard to the date on which decision was made to standardize on the American .300 rifle?—A. The rifle alone?

Q. Yes?—A. The decision was taken to purchase from the United States a quantity of .300 rifles in the early months of this year.

Q. That is not quite it.—A. The decision to have those rifles manufactured in this country is still under consideration.

Q. Can you not pin-point it more definitely at the moment? You say in the first part of your answer: "in the early months of this year." Can you say what month it was actually done?—A. The month of February.

Q. You will recall—and I do not think I shall go further than this—whether it was the first half or the second half of that month?

The CHAIRMAN: What is the purpose of that question?

Mr. CRUICKSHANK: Are we finished with this?

Mr. FULTON: I wanted to go on.

The CHAIRMAN: Yes, but everybody wants to go on. We would like to get at the report we are studying now, that is, the chart we have before us.

Mr. CROLL: Let us have it at the next meeting, Davey!

Mr. THATCHER: I have a question to ask with respect to one of the questions which Mr. Drury answered today.

The CHAIRMAN: Are we through with the first two statements of the witness?

Mr. BENIDICKSON: With respect to this matter of rifles, when we hear "300" mentioned, does that mean the model of the rifle or the quantity?

The WITNESS: It is the calibre.

The CHAIRMAN: Are there any questions dealing with past reports submitted at the last meeting, not the ones submitted this morning?

Mr. FLEMING: It looks as if we may be coming back to that second one at the next meeting in the light of your question.

The CHAIRMAN: I am awfully sorry, gentlemen, but we have no quorum. We are down to 13 members. I think the absences are fairly evenly distributed, so I do not think we can pin it down on anybody. Therefore, the meeting will have to stand adjourned.

Mr. FULTON: I have one other question, Mr. Chairman.

The CHAIRMAN: No, no. The committee has no authority to sit when it has no quorum. You have precedence to ask your question at the next meeting.

At 12.45 p.m. the committee adjourned.

APPENDIX A

Question

What proportion of expenditure was made for service equipment in 1949/50 and what is included?

Answer

Percentage—19.3%

Made up of:—

Signal and Wireless Stores	\$ 7,729,278
Ammunition and Bombs	2,166,494
Armament Stores	1,410,515
Mechanical Transport Vehicles and Spare Parts	8,298,133
Tanks, Armoured Fighting Vehicles and Spare Parts	1,626,237
Tractors, Cranes and Other Engineering Equipment	1,959,710
Acquisition and Construction of Ships	1,806,452
Repair and Upkeep of Ships and Aircraft	6,627,044
Naval and Aircraft Stores	2,404,516
Aircraft Engines and Spares	24,846,945
Overhaul of Aircraft	10,505,959
Marine Craft	165,977
Photographic Equipment	398,778
Miscellaneous Stores	3,266,698
Repair by Civilian Contract of Vehicles, Weapons and Technical Stores	1,191,961
	<hr/>
	\$74,404,697

APPENDIX B

PAYMENTS MADE TO CANADAIR, LTD, IN CONNECTION WITH THE
DEVELOPMENT AND PRODUCTION OF F.86 TO MARCH 31, 1950

	1949-50
Capital Assistance	\$ 1,482,753.49
Production	3,061,199.71
Tooling	5,199,999.99
Miscellaneous	823,468.95
	<hr/>
	\$10,567,422.14
Reconditioning of North Star and Dakota aircraft and miscel- laneous overhaul	3,129,154.02
	<hr/>
	\$13,696,576.16

APPENDIX C

PAYMENTS MADE TO A. V. ROE CANADA LTD. IN CONNECTION WITH
DEVELOPMENT AND PRODUCTION OF C.F.100

	Fiscal Year 1949-50
Designing and Manufacture including Capital Assistance ...	\$ 3,051,540.98
Development, Design and Construction	6,632,835.70
Capital Assistance—Tools, Jigs and Fixtures	3,244,340.29
Manufacture, Production and Overhaul of Spares	2,669,567.87
	<hr/>
TOTAL	\$15,598,284.84
Overhaul of Mitchells, Lancasters, Sea Furies, etc.	1,492,550.14
	<hr/>
	\$17,090,834.98

Ottawa, May 2, 1951.

APPENDIX D

TRI-SERVICE SUMMARY OF FIRE LOSSES FOR FISCAL YEAR OF
APRIL 1, 1949, TO MARCH 31, 1950

R.C.N.—		
Buildings	\$ 6,375.00	
Contents	6,205.50	
Total	\$12,580.50	
H.M.C. Ships	697.00	
Grand Total—R.C.N.		\$ 13,277.50
ARMY—		
Buildings	\$299,501.58	
Contents	158,427.02	
Total	\$457,928.60	
Grand Total—Army		457,928.60
R.C.A.F.—		
Buildings	\$445,096.00	
Contents	309,784.34	
Total	\$754,880.34	
Grand Total—R.C.A.F.		754,880.34
Tri-Service Total		<u>\$1,226,086.44</u>

APPENDIX E

CONSTRUCTION AND ALTERATIONS (BUILDINGS OTHER THAN MARRIED
QUARTERS)

1949-50

<i>Navy</i>		
General	\$ 394,129.52	\$ 394,129.52
<i>Army</i>		
General	1,547,640.37	
Reserve	283,881.25	
Northwest Highway System	73,766.22	
Northwest Radio System	62,487.01	
		<u>1,967,774.85</u>
<i>Air</i>		
General	\$ 439,391.30	
Auxiliary	7,554.58	
Northwest Staging Route	33,733.69	
		<u>\$ 480,679.57</u>
		<u>\$2,842,583.94</u>

ARCHITECTURAL AND ENGINEERING SERVICES (BUILDINGS OTHER THAN
MARRIED QUARTERS)

1949-50

Navy	\$ 54,012.22
Army	143,557.93
Air	84,466.73
	<u>\$282,036.88</u>

PAYMENTS FOR CONSTRUCTION AND ALTERATIONS TO BUILDINGS
(Other Than Married Quarters)

1949-50

Royal Canadian Navy—General

Dartmouth—Communication and control building, R.C.N.A.S.	\$ 2,586.34
Halifax—Damage control school	23,938.11
Electrical and navigational schools, H.M.C.S. Stadacona	8,100.00
New permanent barracks, H.M.C.S. Stadacona	354,209.42
Esquimalt—Additions to buildings 28, 53 and 55, H.M.C.S. Naden	5,295.65
	<hr/>
	\$394,129.52

PAYMENTS FOR CONSTRUCTION AND ALTERATIONS TO BUILDINGS
(Other Than Married Quarters)

1949-50

Canadian Army—General

Halifax—Officer's Mess	\$ 6,125.10
Willow Park—Alterations and improvements to provide workshop accommodation	277.70
Lachine—Annex to building No. 10	6,302.60
Montreal—Annex to building	18,000.00
Quebec—Citadel accommodation	295,321.39
“ Hospital—Resetting facing stones	9,888.52
Barriefield—R.C.E.M.E. School—Relocate artisan training centre	52,502.43
“ R.C.E.M.E.—Other ranks' mess	56,854.76
“ R.C.E.M.E. School—Men's canteen	17,638.39
“ Hospital, additional accommodation	118.24
“ Convert temporary married quarters to barracks accommodation ..	1,882.76
Camp Borden—Accommodation school of cookery	22,640.54
“ “ Building T.69, A to B—Officers' quarters, cubicles alterations ..	7,994.88
“ “ Other ranks accommodation, R.C.A.S.C. School	65,762.52
Kingston—Royal Military College—Dormitory	495,571.33
“ Royal Military College, R.C.E.—Offices, stores and workshop	4,549.42
“ Conversion cell block to canteen	9,000.00
Petawawa—Alterations and rehabilitation of accommodation	146,192.72
Toronto—Personnel depot alterations	9,870.45
Shilo—Hangar for air operation flight training	15,233.00
Winnipeg—Accommodation for R.C.E.M.E. workshop	8,762.98
Calgary—Alterations to increase accommodation and improve school	2,783.30
“ Restore 5 barracks blocks	101,260.63
“ Addition to P.P.C.L.I. stores	6,147.35
“ Active force accommodation	96,908.58
“ Other ranks' quarters, desks and cupboards	4,141.28
Wainwright—Accommodation for winterizing vehicles	50,058.91
Jericho Beach—Joint Service Headquarters—Officers' mess, rewiring	4,105.00
Whitehorse—Prepare buildings for training	29,988.22
London, England—Eleven Hill Street—Alterations	1,757.37
	<hr/>
	\$1,547,640.37

PAYMENTS FOR CONSTRUCTION AND ALTERATIONS TO BUILDINGS

(Other than Married Quarters)

1949-50

Canadian Army Reserve

Corner Brook—Reserve Force accommodation armoury	\$ 64,988.55
Glace Bay—Construction of Reserve Force accommodation	926.75
Springhill—Renovation—Armoury	10,969.53
Saint John—Armoury, refit for occupancy	599.85
Tracadie—Renovation garrison officers' mess	13,832.76
Montreal—Purchase of property and fitting for occupancy	10,691.19
Camp Borden—C.O.T.C. accommodation	6,146.72
“ “ Additional accommodation for C.O.T.C.	13,523.79
“ “ Additions and alterations, Building O.31 for C.O.T.C.—RCEME workshop	13,000.00
“ “ R.C.A.M.C. School. Building E.34—Convert into medical laboratory	5,308.74
“ “ Provide corps school accommodation, C.O.T.C.	10,528.64
“ “ R.C.E.M.E.—C.O.T.C. accommodation	7,997.52
Hamilton—Otis-Fensom Building—Renovation	44,725.64
Kingston—Vimy Barracks—Alterations for C.O.T.C.	17,869.16
Wallaceburg—Armoury—Refitting building for military purposes	17,807.00
Clear Lake—Cadet Camp—Ablution building	7,982.06
Souris—Purchase and repair of building for armoury	5,500.00
Winnipeg—Alterations to building	7,937.84
Ponoka—Loxstave huts	11,417.95
Vulcan—Drill hall	3,613.70
Trail—Alterations to armoury	1,030.75
Work Point Camp—Renovation of Reserve Force accommodation	4,049.35
Lachine—Building 29—Alterations for accommodation	3,433.76
	<hr/>
	\$283,881.25

PAYMENTS FOR CONSTRUCTION AND ALTERATIONS TO BUILDINGS

(Other than Married Quarters)

1949-50

Northwest Highway System

Mile 0 to Mile 635—Highway Maintenance Camps—Insulation	\$ 63,075.20
Whitehorse—Building 54—Sergeants' mess	10,691.02
	<hr/>
	\$ 73,766.22

PAYMENTS FOR CONSTRUCTION AND ALTERATIONS TO BUILDINGS

(Other than Married Quarters)

1949-50

Northwest Territories and Yukon Radio System

Brochet—Combined station and quarters	\$ 11,000.00
Ennadai Lake—Station, R.C.S.	19,994.78
“ “ Garage and wellhouse, etc.	3,996.12
Fort Reliance—Radio station and quarters building	258.66
Fort Simpson—Two standard warehouses	63.35
Wrigley—Renovate buildings	52.79
“ Construct combined single quarters and receiving station and auxiliary buildings	27,121.31
	<hr/>
	\$ 62,487.01

PAYMENTS FOR CONSTRUCTION AND ALTERATIONS TO BUILDINGS
(Other than Married Quarters)
1949-50

<i>Royal Canadian Air Force—General</i>	
Goose Bay, Labrador—Single quarters, other ranks	\$ 90,715.18
Goose Bay, Labrador—School house	179,819.43
Chatham—Improvement and rearrangement of accommodation	139,788.16
Camp Borden—Instructional accommodation	7,017.11
Centralia—Personnel accommodation	3,915.00
Rockcliffe—Personnel accommodation	7,790.00
Trenton—Convert trailer building to bomber teacher building	1,313.60
Edmonton—Non-commissioned officers' lounge	82.82
Edmonton—Alterations to buildings	8,950.00
	<u>\$439,391.30</u>

PAYMENTS FOR CONSTRUCTION AND ALTERATIONS TO BUILDINGS
(Other than Married Quarters)
1949-50

<i>Royal Canadian Air Force (Auxiliary)</i>	
St. Hubert—Central heating plant	\$ 6,294.58
Toronto—Auxiliary squadron accommodation	1,260.00
	<u>\$ 7,554.58</u>

PAYMENTS FOR CONSTRUCTION AND ALTERATIONS TO BUILDINGS
(Other than Married Quarters)
1949-50

<i>Northwest Staging Route</i>	
Fort Nelson—Alterations to buildings	\$ 33,733.69

PAYMENTS FOR ARCHITECTURAL AND ENGINEERING SERVICES IN CONNECTION
WITH CONSTRUCTION OF BUILDINGS, OTHER THAN MARRIED QUARTERS
FISCAL YEAR 1949-50

<i>Navy</i>		
Robt. A. Rankin Co., Ltd.	\$ 14,012.22	Engineering services, Central Heating Plant, R.C.N.A.S., Dartmouth.
Featherstonhaugh, Durnford, Bolton and Chadwick	40,000.00	Architectural services, new permanent barracks, H.M.C.S. Stadacona.
	<u>\$ 54,012.22</u>	
<i>Army</i>		
James Adam	\$ 37,500.00	Services as consultant architect re a company armoury and two battalion armoury.
H. W. Lea	76,850.00	Architectural and engineering services re camp buildings.
Ian R. Morrison	15,897.63	Services of consultant architect re permanent barrack block, Chilliwack, B.C.
Main, Rensaa & Minsos	13,310.30	Architectural and engineering services for construction and development, Whitehorse, Y.T.
	<u>\$143,557.93</u>	

Air

Barott, Marshall, Montgomery & Merrett..	\$ 27,000.00	Architectural services <i>re</i> standard school.
	7,203.00	Architectural services <i>re</i> hospital, fire hall, mess, signal building and control tower.
Margison & Babcock	4,863.73	Engineering services <i>re</i> permanent hangar.
	45,400.00	Engineering services <i>re</i> mechanical equipment building, tour and operation building.
	<hr/>	
	\$ 84,466.73	
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BREAKDOWN OF DEPARTMENT OF NATIONAL DEFENCE EXPENDITURE ITEMS FOR EQUIPMENT, STORES AND SUPPLIES
APPEARING IN PUBLIC ACCOUNTS REPORT 1949-50

PUBLIC ACCOUNTS REFERENCE	Page N24 Item "C"	Page N27 Item "D"	Page N28 Item "E"	Page N31 Item "C"	Page N39 Item "C"	Page N42 Item —	Page N42 Item "E"	Page N44 Item "C"	TOTAL	
	Army General	Northwest Territories and Yukon Radio System	Northwest Highway System	Navy General	R.C.A.F. General	Aerial Photographic Surveys	Northwest Staging Route	Search and Rescue		
	\$	cts.	\$	cts.	\$	cts.	\$	cts.	\$	cts.
SERVICE	Type of Equipment, Etc.									
	Repair of Vehicles, Equip- ment and Stores.....	1,179,125 12		12,835 87					1,191,960 99	
	Tractors, Cranes and Other Engr. Equipment.....	1,134,822 92	983 60	823,903 61					1,959,710 13	
	Tanks and Armoured Fight- ing Vehicles.....	1,626,237 14							1,626,237 14	
	Fuel for Ships, Aircraft and Motor Transport.....				1,667,639 91				1,667,639 91	
	Acquisition and Construction of Ships.....				1,806,452 11				1,806,452 11	
	Repair and Upkeep of Ships and Aircraft.....				6,627,044 14				6,627,044 14	
	Naval and Aircraft Stores.....				2,404,516 18				2,404,516 18	
	Miscellaneous Services.....				478,296 32				478,296 32	
	Acquisition and Construction of Aircraft.....				1,585,432 82				1,585,432 82	
	Aircraft, Engines and Spares					22,886,915 57	48,745 33	58,448 10	267,402 66	23,261,511 66
	Clothing and Personal Equip- ment.....	7,047,945 46			1,718,847 91	2,531,930 26	8,386 12	72,094 40	15,315 98	11,394,520 13
	Mechanical Transport includ- ing Spare Parts.....	4,115,650 41	7,149 69	1,284,760 04	179,258 97	2,245,211 74	15,900 10	446,990 57	3,122 78	8,298,044 30
	Operating Cost of Mechanical and Water Transport.....	1,489,734 25	11,149 65	435,272 07	277,121 64	304,378 77	425 93	2,067 27	50 27	2,520,199 85
	Marine Craft.....					164,952 87	79 21	919 54	25 22	165,976 84
Miscellaneous Stores.....					3,001,424 95	66,828 23	148,403 34	34,071 62	3,250,728 14	
Photographic Equipment.....					341,175 55	57,394 89	198 22	9 80	398,778 46	
Armament Stores.....	790,561 95			552,987 69	66,850 16	103 35	8 40	3 41	1,410,514 96	
Ammunition and Bombs.....	170,940 57			1,768,672 73	226,854 71	21 97		3 13	2,166,493 11	
Barrack, Hospital and Camp Equipment.....	4,265,117 82	20,363 09	135,992 50	1,115,349 94	1,741,704 39	3,142 35	470,672 54	6,425 36	7,758,767 99	

Signal and Wireless Stores...	1,136,476 06	208,134 71	.....	1,630,338 14	4,665,038 48	1,648 98	12,075 48	75,566 05	7,729,277 90
Food Supplies.....	3,474,506 56	102,044 18	168,609 29	2,149,058 00	2,514,492 58	27,111 04	164,256 63	41,954 89	8,642,033 17
Fuel Costs, Aircraft—	.....	.....	.....	.....	.....	.....	.....	.....	.....
(R.C.A.F.).....	.....	.....	.....	.....	.....	.....	.....	.....	.....
Overhaul of Aircraft.....	.....	.....	.....	.....	.....	.....	.....	.....	.....
Special Training Equipment	75,748 47	.....	.....	56,375 09	122,889 96	7 32	.....	25	255,021 09
and Films.....	266,161 07	905 25	20,614 75	41,276 74	118,805 13	3,707 04	4,485 60	207 02	456,162 60
Laundry and Dry Cleaning...	.....	.....	.....	.....	.....	.....	.....	.....	.....
Medical Supplies and Ser-	826,012 78	.....	.....	330,340 82	613,394 25	9,592 36	63,345 46	7,246 50	1,849,932 17
vices.....	113,183 48	.....	.....	.....	.....	.....	.....	.....	113,183 48
Dental Supplies and Services	1,279,862 73	5,582 28	8,136 40	366,876 18	674,024 43	2,995 99	6,384 00	2,992 00	2,346,854 01
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	28,992,086 79	356,312 45	2,890,124 53	24,755,885 33	56,196,677 64	332,220 12	1,857,465 76	1,003,780 21	116,384,552 83

Canada Public Accounts Standing Committee
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Government Publications

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STANDING COMMITTEE

ON

PUBLIC ACCOUNTS

CHAIRMAN—MR. L. PHILIPPE PICARD

MINUTES OF PROCEEDINGS AND EVIDENCE

No. 11

TUESDAY, MAY 8, 1951

WITNESS:

Mr. C. M. Drury, C.B.E., D.S.O., E.D., Deputy Minister of National Defence.

OTTAWA
EDMOND CLOUTIER, C.M.G., O.A., D.S.P.
PRINTER TO THE KING'S MOST EXCELLENT MAJESTY
CONTROLLER OF STATIONERY
1951

LIBRARY
UNIVERSITY OF TORONTO

CORRECTION

The financial breakdown, appearing on pages 294 and 295 (Volume 10), should be headed APPENDIX "F" to the Minutes of Proceedings and Evidence of Thursday, May 3, 1951.

MINUTES OF PROCEEDINGS

TUESDAY, May 8, 1951.

The Standing Committee on Public Accounts met at 11.00 o'clock a.m. The Chairman, Mr. L. Philippe Picard, presiding.

Members present: Messrs. Anderson, Ashbourne, Beyerstein, Blue, Boivin, Brisson, Browne (*St. John's West*), Campney, Cavers, Cleaver, Decore, Fleming, Fulford, Helme, Kirk (*Antigonish-Guysborough*), Kirk (*Digby-Yarmouth*), Macdonnell (*Greenwood*), Picard, Richard (*Ottawa East*), Riley, Robinson, Sinclair, Thatcher, Wright.

In attendance: Mr. C. M. Drury, C.B.E., D.S.O., E.D., Deputy Minister of National Defence.

The Committee resumed consideration of the public accounts relative to the Department of National Defence for the fiscal year ended March 31, 1950.

Mr. Drury's examination was resumed. The witness, first, tabled a statement of Estimates, total expenditure, enlistments and average expenditure per enlistment, for the period extending from April 1, 1947, to March 31, 1950; the said statement was ordered printed as Appendix "A" to this day's Minutes of proceedings and evidence. He, thereafter, orally answered a few questions asked of him during previous meetings of the Committee and was questioned further on other matters relating to expenditure of the Department of National Defence under study.

Mr. THATCHER moved:

In view of the loss recorded in the reserve army strength from 1945 to 1950 as compared to the 20 years prior to 1939 and,

In view of the importance the Minister of National Defence places in the reserve army strength in defending Canada, and in securing active recruits,

That this committee recommend to Parliament the setting up of a special committee along the lines of the Mainguy Commission, to institute a full-scale inquiry into the reasons for the disappointing enlistments in the reserve army, and to make suggestions to remedy the situation.

The Chairman ruled the said proposed motion out of order on the following grounds:

- (a) its terms are outside the scope of the order of reference, and
- (b) some of its conclusions are either foreign or contrary to the evidence adduced by the Committee.

The ruling was appealed by Mr. Thatcher.

After some debate, and the question having been put thereon, the Chairman's ruling was, on a show of hands, sustained on the following division: Yeas, 10; Nays, 6.

And the examination of Mr. Drury's still continuing; the said examination was adjourned to the next meeting.

At 12.50 o'clock p.m., the Committee adjourned until 11.00 o'clock a.m. Thursday, May 10.

ANTOINE CHASSÉ,
Clerk of the Committee.

MINUTES OF EVIDENCE

HOUSE OF COMMONS,
May 8, 1951.

The Standing Committee on Public Accounts met this day at 11 a.m. The Chairman, Mr. L. Philippe Picard, presided.

The CHAIRMAN: Order, gentlemen. Mr. Drury has with him some answers to questions asked at the previous meeting.

Mr. FLEMING: Mr. Chairman, on a question of privilege—

The CHAIRMAN: If you don't mind, Mr. Fleming, you can have as long as you like later on, half an hour if you wish.

Mr. FLEMING: I just wanted to raise a question of privilege.

The CHAIRMAN: Well, Mr. Fleming, the witness has with him answers to questions asked at the previous meeting and I think we should have these tabled, and following that take up your question of privilege; and then, if there are any questions pertaining to answers tabled at the last meeting we could go ahead with them. Now, if you insist, Mr. Fleming, go ahead—

Mr. FLEMING: Mr. Chairman, this is a correction in the report of the proceedings of the committee on page 247 of minutes of evidence, No. 9, near the top of the page. The chairman is reported there as saying,—“Well, it is up to the witness to decide whether he should or should not answer a question when it comes within the purview of the committee.”; and I am reported as saying: “You are right, Mr. Chairman.” I think there obviously is a mistake there. I think what you meant to say was that it is up to the chairman to decide whether he should or should not answer questions. I certainly do not think it is up to the witness to decide that.

The CHAIRMAN: We may have had a misunderstanding. What I meant by that was that one would have to rely on the witness to know whether an answer should be given in the circumstances or not. I was not objecting to anyone asking questions of the witness, but I did say at one time that the witness would be the one to decide whether it was proper for him to answer or not. We went on and I said it is up to the witness to decide whether he should or should not answer questions when it comes within the purview of the committee. I meant by that I would let the question be put and then give my ruling as to whether it came within the scope of our reference, and after that I would leave it to the witness and if he felt it should not be answered it would be up to him in his official capacity to say: Well, I do not feel that I should answer this question. That is what I meant. Maybe you misunderstood the question; however, I stand to be corrected.

Mr. FLEMING: Just to get it clear, Mr. Chairman, the answer I gave was on the assumption that what you were referring to was your ruling as chairman; I think in the final analysis that is a matter which rests with the chairman, and so it should be.

The CHAIRMAN: Of course, and at the same time there are questions which come up with respect to which the matter of their being within bounds is an issue and it is up to the chairman to so decide and then it is up to the witness in his official capacity to decide whether or not the question is one to which an answer should be given. I did not want to force him, so that is what I meant by saying it is up to the witness to decide whether he should or should not

answer certain questions. That is what I had in mind. I am sorry if you misunderstood me and thought I was trying in any way to evade my responsibility as chairman. I think my stand on that is already in the record and it will be all right to let it go at that. So will you let Mr. Drury go along and produce some answers to questions put at our last meeting.

Mr. C. M. Drury, C.B.E., D.S.O., E.D., Deputy Minister of National Defence, called:

The WITNESS: In the same record, minutes of proceedings and evidence No. 9, appendix A, at page 261, there is a sum for recruiting expenses paid to the Post Office Department in the amount of \$145.80. I was unable to answer the last time what that was. It represents the cost of a die for post office a cancelling mark to be inscribed on envelopes encouraging enlistment in the active forces. You may have seen these little cancellation stamps that are put on envelopes by the Post Office Department. This represents the cost of a die for cancelling stamps encouraging enlistment in the armed forces.

Mr. FLEMING: I think it is quite clear, Mr. Chairman, that the department uses the frank in practically all cases?

The WITNESS: The department uses the frank for individual letters sent out on business in all cases, including business relating to recruiting. We, however, pay for parcel postage of film or packages of pamphlets which go out by parcel post; then we pay the post office. The frank is not used in that case; nor is the frank used in the case of air mail or special delivery letters.

Mr. WRIGHT: It is not used by the sub-units outside of Ottawa? Is the frank used in Winnipeg, for instance, for mailing out letters from the recruiting office?

The WITNESS: In the reserve force units, no. They use stamps for sending out their mail.

In respect of appendix "B", of the meeting of May 1, Mr. Chairman, there was a request for a revision of this table to include not only enlistments in the active forces but also enlistments in the reserve forces and the calculation of a new figure of the average expenditure per enlistment in the active and reserve forces, and I have a new table which, perhaps, the clerk of the committee could distribute to the members, showing these figures on a revised basis. I will file that as appendix "A".

(APPENDIX "A", statement of estimates, total expenditure, enlistments and average expenditure per enlistment, 1949-50.)

While we are looking at appendix "B" in the record of the previous meeting there is one minor correction to be made. Under the heading of enlistments there is the dollar sign; that should be struck out. The comparable figures for the cost of enlistment, average expenditure per enlistment, in 1949-50, on the new basis, are for the navy \$67.06, for the army \$19.21, and for the R.C.A.F. \$75.98; so the overall average would be, as shown, \$32.99.

That, Mr. Chairman, is all I have to table.

The CHAIRMAN: Now, we will proceed as we did at our last meeting and revert back. Are there any questions concerning answers brought at our last meeting?

Mr. FLEMING: These two tables that were produced here this morning are really enlargements on ones that were brought down at our previous meeting of a week ago.

The CHAIRMAN: Yes.

Mr. FLEMING: Just to clear up one or two questions on these last two statements which you have just filed, Mr. Drury—

The CHAIRMAN: Excuse me, Mr. Fleming; there is only one.

Mr. FLEMING: I beg your pardon, the other was really an enlargement on a previous table.

The CHAIRMAN: Yes, one that was produced at our last meeting, or the one before that.

Mr. FLEMING: Yes, two meetings ago. I have just a couple of questions on this last one, Mr. Chairman. Is there any difference reflected in the trend of costs? Here I see that even including the reserve army enlistments your cost shows for the three services combined in the three years in question, for 1947, 1948, 1949; for 1947—you show a total of 21,640 enlistments for 1949-50, at an average cost of \$32.99—now, coming back to 1947, the cost for the navy, the average expenditure per enlistment was \$16.82; and that compares with a figure of \$67.06 for 1949-50; then, with respect to the army, in 1947-48, the average expenditure per enlistment was \$4.83, and that rose in 1949-50 to \$19.21; and a comparable figure for the R.C.A.F., in 1947-48, was \$37.84, and that rose in 1949-50 to \$75.98. So that there is not really any very great difference in the trend as reflected in the figures, particularly with respect to reserve and the active army enlistments and the average cost.

The CHAIRMAN: I think you are quite right, Mr. Fleming. My purpose in having this brought in was because the witness stated that the expenditures made should be considered as the amount both for active and the reserve and the figures we got were only for the active, so I thought, just for the purpose of the record, that if an expenditure was made to get people into both the active and the reserve force we should have the figure as to the reserve on the record in order to arrive at the proper proportion. But I agree with you that, as you say, it has cost more, but it gives us a better picture as to how much it costs.

Mr. FLEMING: I quite follow your point on that, Mr. Chairman. I think it is quite clear that the same general trend appears here, the cost has risen each year and the relative cost with respect to enlistment in the three services shows about the same result; in other words, the air force is higher, the navy second highest and the army lowest.

The CHAIRMAN: You see, the figure which we were given before for 1949-50 showed a cost of \$129 per man for enlistment in the active. That would have been all right if the enlistment had been directed entirely to the active, but in view of the amount of publicity the statement received it was thought well that we should have a statement showing the relative cost for both the active and the reserve. I thought such figures would give us a better appreciation of the over-all picture. You see, there is a rise in the cost per man, but not proportionate to the figure we had given us at the last meeting.

By Mr. Wright:

Q. I was going to ask the witness if there are any other expenses in advertising for the reserve army, other than those shown in these figures?—A. No.

Q. These figures do include all advertising used for the reserve army?—A. Unless, as I mentioned a few meetings ago, there may be instances where a reserve unit may spend money for some special purpose of its own, which would come out of the pocket of the commanding officer or out of some common unit fund; it would not be public money.

Q. You have no way of expanding that for us?—A. The only way in which that could be done would be to canvass all the reserve units and try to get them to recall if they had made any expenditures along this line.

Q. In any event it could not be a large sum?—A. I would think certainly not.

By Mr. Thatcher:

Q. I wonder if Mr. Drury could tell me this. I see that the reserve increased in enlistments to 21,640. Could you tell me how many dropped out of the reserve that year? In other words I would like to know what the net increase that year was.—A. The net increase is given in the annual report, in the table you were looking at the other day, on page 88.

Q. I haven't got that report with me, Mr. Drury; would you mind giving me the figure?—A. For the total of the reserve forces?

Q. Yes.—A. The strength of the reserve force as at the 31st of March, 1948 was 72,081.

MR. FLEMING: That is the total; that is not the reserve at that time?

The WITNESS: Excuse me: the total for the reserve force was 36,662. For the 31st of March, 1949 the reserve force strength was 41,010; as of the 31st of March, 1950 the reserve force strength was 49,017.

MR. FLEMING: Well, it is easy enough to arrive at the figure Mr. Thatcher asked for just by subtracting, Mr. Chairman; and in the year 1947-48 you had 12,761 taken in whereas your strength dropped about 4,900. So there must have been roughly something over 17,000 dropped out.

The CHAIRMAN: You are looking at the wrong figures. The 1947-48 increase was 12,864.

MR. FLEMING: No, that is the number taken in, Mr. Chairman.

The CHAIRMAN: Oh, the number taken in; yes.

MR. FLEMING: At the end of the year it showed a reduction in the reserve army of 4,900 as compared with March 31st, 1948.

The CHAIRMAN: You are right.

By Mr. Thatcher:

Q. Which means, Mr. Drury, that at the end of this period the reserve army strength, at the end of this fiscal year, was still less than it was prior to the last war?—A. That is the reserve army strength at the end of 1947-48?

Q. No, at the end of 1950, March 31st, 1950, it was less than it was prior to the last war—1938-39.—A. Well, 1937-38, but not 1938-39—if I am looking across the right column.

Q. Well, it is considerably less than it was in 1938-39.—A. The 1938-39 figure I have here is 54,055.

Q. Yes.—A. And for 1949-50 it was 49,017. Excuse me, it is less.

Q. Don't you think there must be something significant? Has the army reserve increased a lot since Korea? I mean the fact that our reserve forces are less than they were before the last war would indicate, to me at least, that our advertising is not very effective, or that young men generally do not seem to be very much interested in getting into the reserve.—A. Well, the figures certainly speak for themselves. The reserve force at the end of the fiscal year 1949-50 was 6,500 less—5,000 less than 1938-39.

Q. And it is pretty well less than it was all the way from 1925 up to the war, is it not? In other words, there is much less interest in the reserve in the year we are studying than in the years preceding the last war?

The CHAIRMAN: There is only a difference there of roughly, 4,000 to 5,000 for the whole period from 1925 to 1938 as compared to the present day, I mean

the year under review. In 1925-26 we had 50,061 in the reserve, as for the year 1949-50 we had 49,017, so the difference is really not so very great.

Mr. THATCHER: Yes, but in the active army during that period, 1926-1939, the enlistments in the reserve were four or five times what they were in the active force. I do not see the reason for that. There must be some reason for it. Why should not the reserve army continue to show the same proportionate increase at the present time?

The CHAIRMAN: If you take the period 1947-48 you will see that out of a total of 72,081, 36,662 were in the reserve, and when you come down to 1949-50 you have your active strength is 47,185, and your reserve 49,017. As compared to the period to which you refer, 1925-26 and 1938-39 there is quite a difference.

Mr. THATCHER: Would it not be fairer to look at the total column of reserve and active force and add the two together?

Mr. HELME: What are you talking about, are you talking about the reserve, the active, or the total?

The CHAIRMAN: We are talking about the total.

Mr. HELME: Of all three services?

The CHAIRMAN: Yes.

By Mr. Thatcher:

Q. Would lack of armoury accommodation or training facilities have anything to do with the fact that our reserve army has not grown, Mr. Drury?—A. There was at the end of the fiscal year, at the end of the fiscal year under examination, more armoury accommodation than before the war, and there was also considerably more equipment in the hands of reserve units than there was before the war, considerably more.

Q. So that could not be the answer.—A. That should not be the answer.

Q. Is the general turnover of men in the reserve army high? It obviously is, of course, from these figures.—A. It is quite a large number.

Mr. FLEMING: Just to follow through on that, Mr. Chairman. I started to make a comparison of these figures. For the year 1947-48, taking the three services as a whole, the reserve forces in the three services, taking 12,864 as the strength at the end of the year, was 4,900 less than it started the year with; so that approximately 17,800 men must have left the reserve force that year. Then, in the year 1948-49, they took in 21,986 and finished off the year with only 4,400 more than they started the year with, so that approximately 17,500 must have left reserve forces in that year. In the year 1949-50 they took in 21,640 for the three services in the reserve and finished up with 8,000 more than they started with, so that approximately 13,600 must have left the reserve forces in that year.

The WITNESS: That is correct.

Mr. FLEMING: Is there anything further you can say in the light of that, particularly in view of the fact that there is more opportunity for training than previously, the reserve army at any rate was better furnished with training facilities and equipment. Are there any reasons why, in spite of the benefits that accrued to the reserve force from substantial expenditures for recruiting in the reserve force—that also applies to the active forces—why the results have been so disappointing; I think you must agree that they have been pretty disappointing for the reserve forces?

The WITNESS: As you suggested, more was done for the reserve forces in those years than in the years intervening between the two wars; more equipment, more armoury accommodation; and there also has been provided, since the war, training staffs of trained officers who assist in the training and administrative duties in the reserve units, as well as N.C.O.'s. At summer camps the normal

chores of housekeeping are done by the permanent establishment of the camp and the reserve forces are thereby able to devote their entire time to training. Now, all of these things which provide a more congenial atmosphere, should result in more people joining the reserve forces in the post-war years than in the pre-war years. That has not been the case. Up to the end of this fiscal year, or up to the end of the fiscal year we are looking at, the answer probably can be found in the general approach of the public to the armed forces, or particularly to the reserve forces, and their concept of the necessity of undertaking training in peace time in anticipation of a future war. There has been a very substantial—perhaps I should not say improvement, but a very substantial economic boom. I think the average level of money in the hands of the wage-earner is higher than before the war, and with more money they find more in the way of outside interests.

Mr. MACDONNELL: Mr. Chairman, it seems to me that the announcement made by the minister on Friday last, that the policy with respect to recruiting was to build up the active forces through enlistment in the reserve units, has a direct bearing on the issue we are discussing and that that is of quite some importance in the matter under review. It seems to me, that being the present situation, it rather reverses the argument we have heard with respect to the building up of a proportionately larger reserve force in the period prior to the last war. It is quite apparent that a good many of these men enlisted in the reserve forces might have gone into the active force through that channel. That probably is the explanation for a matter which has given concern to some of us; and in all of this we are following a system of encouraging young men to join the reserve. I wonder if it would be possible for Mr. Drury to tell us to what extent the advertising in the last year or so has been in line with the announcement made by the minister that we were going to use the reserve army to secure recruits who would graduate into the active forces. It seems to me that the essential objective at the present time is to get men in that way for the active force. Would I be right in that?

The WITNESS: The emphasis in the case of the navy and the air force has been placed on the active force as distinct from the reserve, the air force and the navy reserves being proportionately considerably smaller than that of the army. In the case of the army, a considerably higher proportion of the total advertising was directed at the reserve than in the case of the other two services.

Mr. FLEMING: Looking at these figures, has not the result been with respect to all three services rather disappointing in this period under review, 1946-47, 1947-48, 1948-49 and 1949-50?

The WITNESS: No, I do not think the figures bear that out. What perhaps might be construed as disappointing is not the numbers that were taken in, which are fairly substantial, but the numbers that were retained. Now, the advertising has been, I suggest, most effective in that it persuaded a number of people who apparently had no persistent ambition to be in the reserve force to come in. Having entered, partly at least as a result of the advertising, they had not stayed on. That is no fault of the advertising.

By Mr. Wright:

Q. On that point would not the figures on the enlistments from the reserve forces into the active army be of interest? I mean those people who have come into the reserve forces and disappeared, who may have enlisted in the reserve and then moved over into the active army. Have you figures on that?—
A. That was the case, unquestionably, particularly in respect of the recent operations in respect to Korea. That was a case where numbers of men went active from the reserve forces.

Q. I realize that in the case of Korea, but what was the tendency before Korea? Have these men who have disappeared out of the reserve army been the men who have gone into the active army? Those figures would be very significant, whether the reserve army is fulfilling the purpose for which it was intended, and unless we have those figures I do not think we can make a fair analysis?—A. I haven't got them here, but I will have them obtained.

Q. I think that would be of interest.—A. I will get that for you, in so far as it may be ascertainable. It may take some research. You want the numbers of enlistments in the active force of men who had previous service in the reserve force?

Q. Yes, those who have gone directly out of the reserve force into the active army. That it seems to me is the main purpose of the reserve army, to encourage enlistments in the active army. Am I correct in that?—A. That is one of its purposes.

By Mr. Thatcher:

Q. I wonder if Mr. Drury could say what pay increases the reserve army has had since the end of the war?—A. The reserve army have had exactly the same increases as the active force.

Q. In other words, that is a fair amount, more than they were getting prior to 1939?—A. That is correct.

Q. Has the department ever considered the feasibility of making such pay as they do get income tax free, or do you think that would help?

Mr. SINCLAIR: I think we are getting too far afield when you ask the Deputy Minister of national defence to answer a question like that.

Mr. THATCHER: I have asked it anyway.

Mr. FLEMING: I think he could say whether that had been considered.

Mr. THATCHER: It seems to me that might be a factor in getting more men into the reserve. Their pay is small enough and if it were income tax free it might help to get more recruits. Have you considered that angle?

The WITNESS: We have considered it.

Mr. SINCLAIR: When you are considering that you might also at the same time consider whether it would not be more practical to give compensation by a direct increase in pay.

The WITNESS: Rather than a reduction in income tax?

Mr. SINCLAIR: Yes, rather than doing that.

The WITNESS: It is difficult, we have found, to buy a reserve army.

Some Hon. MEMBERS: Hear, hear.

The WITNESS: My own personal view, strictly personal, is that we have pretty well reached the limit of offering various material benefits to people to come and join the reserve force. Now, you can't compete successfully in buying interest when you are up against the kind of economy we have now.

Mr. THATCHER: I think that Mr. Drury has made a very significant statement because the figures we have here show that last year there were 43,000 men in our reserve army; and every year from 1925 to 1939, prior to the war, we had a greater number.

We had a lesser number in 1950 despite the fact that pay was increased, and despite the fact that there was an international crisis.

In view of these figures, should we not as a committee recommend to Parliament that some kind of a commission be set up to investigate this whole

question, something along the line of the Mainguy report, or whatever it is called, so that we could see why we are not getting men in the reserve army.

As Mr. Drury has said, it is not because of the material angle. Moreover, the Minister of National Defence has told us that Canada's defence rests in large part upon our reserve army. We are not getting recruits in the way we should. Mr. Drury has said it is not because of material reasons. Therefore it seems to me that the sensible thing to do is to set up a commission, and I think the committee should consider some sort of recommendation along that line.

The CHAIRMAN: Based on what?

Mr. THATCHER: Based on appendix three of the Minister's report.

The CHAIRMAN: You have all the authority in this room to ask all the questions you like from this witness and, if you want another witness on the subject of publicity, I think it is up to us to look into it and decide whether or not we are satisfied with what has been done, rather than to have another commission appointed. Ask all the questions you want from this witness or from any other witness we can bring here.

Mr. THATCHER: I do not know what the answer is.

The CHAIRMAN: The only thing to do is to try to find out. It is up to this committee on public expenditures to ascertain whether or not we are satisfied, or whether we have any recommendation to make. It is up to us.

Your experience with the active army or the reserve army may be such that you have a lot of questions to ask. If you want to question this witness on a matter pertinent to those subjects, I do not see why we should delegate that right to any commission.

Mr. THATCHER: I shall make a formal motion before the meeting is over. But I would like to hear from other members of the committee as to whether or not they are completely satisfied with the reserve army figures. Then if they feel that a commission is not necessary, it may be that I shall not make my recommendation.

Mr. MACDONNELL: Mr. Chairman, it seems to me that this might be one of the cases where you might allow us to go beyond the 31st of March. Indeed, Mr. Drury has made general reference to what has been going on since then. It is hard to believe that security is affected, because the figures have been given. I think we could discuss it more intelligently if we had a better idea of what has been happening; and if the situation has been improving so much since this report, then some of our arguments might fall to the ground.

The CHAIRMAN: That is a nice approach to try to lead us into 1951, but I do not think we are required to go that far. We have a substantial field here and we should get along with it. We have been sitting here for some time and we can be sitting here many more meetings, when any member of the committee can ask any pertinent question to make sure whether, in his own mind, there is or is not something wrong. You can have any witness from the department, and you can ascertain such things.

Mr. WRIGHT: Mr. Chairman, having got that information, then, on the basis of that information have we not got the power as a committee to make recommendations?

The CHAIRMAN: Yes.

Mr. WRIGHT: That is what Mr. Thatcher proposes, namely, that with the information we have here now, he suggests that it might be advisable for this committee to make a recommendation. That is up to the committee.

The CHAIRMAN: May I say that should we make a recommendation that an investigation take place, we should make that investigation ourselves.

By Mr. Fleming:

Q. Mr. Drury went back to those figures as to the gross loss of men from the reserve forces. In round figures in the three years they were: 17,000; 17,000; and about 14,000. And the gross loss of men from the three reserve forces in the three years make a total of about 48,000, if I am correct.—A. Roughly rounded, it would be 49,000.

Q. 49,000. In the first place, that loss is almost alarming, is it not, in size?—A. That loss in the reserve forces?

Q. Yes, for the three year period?—A. Not "alarming", because every man who has come into the reserve force and served for a year has at least obtained a year's training, and he is that much better for it.

Q. No, no. I am not speaking about the value of the training he has received over a year. We will agree that there is value to it. I am speaking about the rapidity of loss of men from the reserve forces. We are agreed that there were 49,000 men who were in the reserve forces for a greater or shorter period, but who left the reserve forces in those three years, and went off strength. That is a very large number in the first place, is it not, an unusually heavy loss of men from strength?—A. When you say "unusually", you must be comparing it with some base, but I do not know what base you are comparing it with.

Q. Well, how do you describe it? Let us have your adjective to describe a loss of that proportion, of 49,000 men in three years?—A. I would not describe it so much as a loss but as a turn-over; and while they are no longer shown with the reserve forces, yet they are men who have come in and been trained for a greater or lesser period of time and then gone out.

Q. I am sorry, but that does not answer my question. We will agree that if those men were in for a reasonable period of time, they would get some benefit from it, and in proportion would derive benefit from their having received training. But I am looking at this loss of 49,000 men from strength in a three year period, and I ask you if it is not disconcerting to see that number of men going off strength in the reserve forces during a three year period?—A. I would not call it "alarming".

Q. Well, disconcerting?—A. Nor even "disconcerting".

Q. Then will you give us a description of your view of it because I would remind you that we were putting on a big drive and spending very large sums of money for recruiting?—A. To get people in; we would like, generally speaking, the men in the reserve forces to stay on longer than these figures disclose they have been doing

By the Chairman:

Q. For how long do they sign?—A. They sign up for—

Q. When a man enters the reserve army, does he sign for just one year?—A. He signs on for three years as an initial engagement.

Q. 56,490 men have been brought into the reserve in these three years under consideration, and the over-all increase is only 12,355. So it would mean that 44,000 odd and not 49,000 went out.

Mr. FLEMING: No. The over-all increase is 8,000; 41,563 as of March 31, 1947; and 49,017 as of March 31, 1950. That gives an increase of 7,454. You have got to go back to the 31st of March 1947 as a starting point if you are going to measure a three year period, from March 31, 1947 to March 31, 1950.

Mr. SINCLAIR: I would like to ask a question, Mr. Chairman.

Mr. BROWNE: I want to ask a question too, Mr. Chairman.

The CHAIRMAN: Anybody who wants to speak may just raise his voice.

Mr. SINCLAIR: Just try to get in though. Mr. Thatcher was comparing the recruitment period of 1925 to 1939 with the recruitment period of 1945 to 1950.

I think a fairer period to compare is that of 1919 to 1925 and 1945 to 1950 for this reason: we had a million men enlisted in the services during wartime in the group who were of military age. Those men would feel that they had received military training. So you would not have that same group to turn to in so far as recruitment in the reserve forces is concerned.

Have you got a comparable figure of enlistment in the reserves in the period immediately after the first war?

The WITNESS: I have not, but I will get it for you.

Mr. SINCLAIR: There I think is the better comparison. There are not many people that I know who served in the last war who have joined the reserves in the last five years. The comparison is not a good one because you are trying to compare two entirely different periods, so far as military service is concerned.

Mr. BROWNE: I would suggest, Mr. Chairman, that this does not give us a true picture of the reserve strength at all. We should know how much time each man has spent in training.

Mr. SINCLAIR: Hear! hear!

Mr. BROWNE: How many hours altogether; then we would have a clear picture of how valuable that reserve is. I know that in Newfoundland the officers have told me that the reserve is no good. They say that the men turn up for one or two nights and then perhaps do not turn up again for a month. They are very much against the reserve and do not believe in it at all. I think we should have those figures in order to give us a true picture.

The WITNESS: It would require quite a statistical operation to compute the number of man hours in the reserve forces.

Mr. BROWNE: You must have some manner of obtaining how many days have been served.

Mr. MACDONNELL: Are there not strength reports from commanding officers which would be very illuminating? I have been in the militia myself and I know that the only thing of any real value was when we went to camp.

Mr. FLEMING: I understand that Mr. Drury is going to bring us information concerning the number of officers and other ranks in all branches of the reserve army who were authorized to train at all summer camps in the summer of 1949; how many actually went; and how many units of various kinds carried out competitive unit training. So we will have that on the record. May I come back to my problem, Mr. Chairman?

The CHAIRMAN: So that there will not be any accusation that Mr. Fleming monopolizes the field, are there any other questions about reserve forces?

By Mr. Browne:

Q. Is the witness able to give us any analysis, therefore, of the time spent in the reserves by these men who are turned over so rapidly?—A. What I understood was wanted was the number of man days.

Q. The number of man days served per year.—A. In the reserve forces, for each of these three years?

Q. Yes, if it is not too much to ask.

Mr. CAMPNEY: That would be colossal.

By Mr. Richard (Ottawa East):

Q. Have you any objective as to the number of men that you would wish to enlist in the reserve forces?

The CHAIRMAN: You mean within the three years under consideration?

By Mr. Richard (Ottawa East):

Q. Yes, in the three years under consideration.—A. There was no fixed objective.

Q. Have you any idea what the reserve force should be, having in mind the available manpower of untrained men who would be available for the reserve forces?

Some people think that this country could have a million soldiers; but I am still convinced that we could not have a force any bigger than it is now. I would like to have your idea about it.—A. I could give you an idea of the number of men who come of age every year, and that is about as far as my knowledge goes. There is reputed to be 75,000 males coming of age every year.

Mr. SINCLAIR: Who are physically fit?

The WITNESS: No, coming of age.

Mr. BROWNE: What age, 21?

The WITNESS: 18. The figure for 21 would be about the same, I think. And experience in the United States has shown that about 50 per cent or less are fit.

By Mr. Richard (Ottawa East):

Q. So, if your reserve force always had a turn-over each year of one-half of, let us, 70,000 or 75,000, if we had a reserve force of 40,000 or 45,000, it would mean a normal reserve of people going into training every year, would it not?—A. It would be roughly the figure representing the training of men for one year in each of the age classes.

Q. Not taking into consideration other exemptions, people who would be taking other courses or who were called to other duties.

Mr. SINCLAIR: Or people who were so isolated that they could not get to reserve units, if we were on a voluntary basis.

The WITNESS: It would be quite impracticable to expect a large part of these men who have come of age and are physically fit to undergo reserve training except at very considerable cost, because they would have to be brought to centres of training, and they would be absent from their normal occupations during that period of time.

By Mr. Richard (Ottawa East):

Q. So you do not think that a reserve force of 40,000 or 45,000 men would be sufficient, having regard to our manpower?—A. No, I would not say that.

Q. In peace times?—A. For the reason that in the reserve forces we would expect—we would both hope and expect that an officer would not merely join for one year's training. It is difficult to produce a good officer in one year, in the reserve forces. He would have to stay on for a number of years.

And the same applies to N.C.O.'s. You cannot produce in one year a satisfactorily trained N.C.O. in the reserve forces. And it also applies to some technicians and tradesmen. They require more than one year's training, one year's reserve force training.

Therefore a reserve force composed exclusively of those who are coming of age each year, who go out after one year, would not be a feasible proposition.

Mr. MACDONNELL: Have you any special figures showing the turn-over of officers?

The WITNESS: No, I have not got them here.

Mr. THATCHER: May I make a motion, Mr. Chairman?

Mr. FLEMING: May I ask a question, Mr. Chairman?

The CHAIRMAN: If it is on the same subject.

By Mr. Fleming:

Q. On the very same subject, Mr. Chairman. What was the authorized establishment during this period for the reserve forces in each of the three reserves?—A. That I cannot give you.

Q. Could you bring it to us later?—A. Yes.

Q. Have there been any studies made within the department to determine the average length of time that an enlisted man has stayed in the reserve forces?—A. There have been surveys, samples, but no complete record.

Q. Were some of those sample surveys taken in the three year period under review?—A. There was one, I think, in 1949-50.

Q. Could we see it, subject to whatever limitations there may be, and you could qualify it accordingly? If it has any bearing at all on this question, I think we would be interested to see it.

By Mr. Browne:

Q. How many centres are there where these reserves are trained, or where they go for training?—A. For non-local training, there are the summer camp.

Q. No, I mean routine training throughout the year, quite apart from camps?—A. They do their routine training at their local headquarters.

Q. At how many places?—A. How many individual establishments?

Q. Yes. I understand it is only in large centres such as cities and large towns where this training goes on.—A. It depends on how you define "large town". I am not sure whether you would regard Carleton Place as a large town.

Q. Do you have training there?—A. Yes, we have training there, and in other small places which are larger than villages but still not large towns.

Q. Could you increase the number of places where you could have training so that you could get in a greater proportion of the eligible people to join the reserves?—A. It would call for a considerable increase in overhead, a proportionate increase in overhead. If you were to set up an establishment in a number of small villages, it would draw a comparable number of people into the reserve forces, but the overhead would be substantially greater than in the larger centres.

Q. You mean the cost of overhead would be out of proportion to the number of people being drawn in?—A. That is correct.

The CHAIRMAN: Might I ask a question? I am thinking of the people in my own constituency. The nearest and biggest town to them is in another constituency. It is Montmagny. Last winter it was brought to my attention that there was a number of young men who were willing enlist in the reserve. That training would require their presence in Montmagny two or three nights a week and in the wintertime they would have to take either a snowmobile or go by sleigh and so on. An alternative proposal was to have a small building at a central point in the constituency to give this training three nights a week right there to the local people. Objection was made by the department that it would be too costly to follow out such a practice as that throughout all the settlements of Canada. But it might explain the difficulty of transportation in wintertime.

There are people who are willing to join, but who find it difficult, throughout the year, to go elsewhere for their weekly training, even though the distance be only fifteen or twenty miles. Because in wintertime, in the cold weather, it may be difficult to find means of transportation. The answer I received was that if the idea were extended throughout Canada, it would mean such a considerable increase in cost that it would be doubtful whether it would be of value in the end.

Mr. BROWNE: Does that mean that the department hires a hall and engages it throughout the year and pays a heavy rent?

The CHAIRMAN: There is an armoury in the place I mentioned, Montmagny.

By Mr. Browne:

Q. You do not engage a hall for the three nights only but you take it over completely?—A. Normally we rent premises; and where they have to be rented, we do so on an annual basis. It has to be done because the unit has to have some place to keep its equipment, not only its mobile equipment, of which we try to give them as much as possible, but also its smaller stores.

By Mr. Wright:

Q. Normally you do not hire the full use of the hall as an armoury, or at least you do not do so in my constituency. There it is mostly the veterans hall which is used for training and you pay so much a year for certain space in it, and for the use of that hall on certain nights. You do not take over the full control of the hall.—A. Well, it varies, of course from situation to situation. But I would imagine in the place you mention we have the full time use of part of the premises, not necessarily the whole premises, but a part only. The records and equipment should be stored under our own supervision throughout the year.

Q. Yes, I think that is it.—A. But in the case of a large hall which is only required for use upon occasion, we might well only pay for the time we use it.

Mr. THATCHER: I want to make a motion, Mr. Chairman, but before I do so I would like to ask Mr. Drury one question. If it is not a fair question, he does not have to answer it.

What do you think would be the ideal that we should have in our reserve forces as far as numbers are concerned? I understood you to say that 45,000 or 50,000 was not sufficient, in your answer to Mr. Richard.

The CHAIRMAN: For a period similar to the one which is under review?

Mr. THATCHER: Do we want 100,000 in our reserve forces, or what is the figure we should be aiming at?

The CHAIRMAN: In a period similar to this period which is under review here?

Mr. THATCHER: Yes.

The WITNESS: The figure we should be aiming at now—

The CHAIRMAN: In a situation similar to this, not in wartime.

The WITNESS: —is really a question of policy, and I would dislike to enter that field.

Mr. THATCHER: I see!

By Mr. Fleming:

Q. Are you not always seeking to build up your strength in the reserve forces to the authorized strength? Otherwise, what is the purpose of an authorized strength and expenditures on camps and for recruits? I may be quite wrong, but my understanding is that you are always trying to build up your units to the authorized strength.—A. The authorized strength is only an artificial figure. It is a limit beyond which the government would not authorize the department of National Defence to go without coming back and making a new case. It is a limit rather than a goal which we have got to try to attain.

Q. Did you not seek to attain the authorized strength in these three years?—A. We did not either design or anticipate achieving the ceiling, with respect to authorized strength.

Q. Did you try to do so?—A. We worked towards it, but we did not try to achieve it. Trying implies making every possible effort to achieve success. We did not gear ourselves to achieve the ceiling in these years.

Q. Then what was the figure which you did gear to or endeavour to attain?—

A. Well, there really was not a precise figure to be attained.

Q. What determined the gearing of your effort?

Mr. THATCHER: I thought Mr. Fleming was going to ask only one question, Mr. Chairman.

The CHAIRMAN: You will have a full hour for your motion. It is only twelve o'clock. Let us finish with this subject and afterwards you can take up your questions.

The WITNESS: That is something I find difficult to answer, to relate it to a precise target. I do not think I can, Mr. Fleming.

By Mr. Fleming:

Q. I do not see why. There must have been some objective, if you regard the authorized strength as a ceiling, and not simply as an objective that you consciously seek to attain. I would think that there was some conscious objective within the department.—A. There was a conscious objective, but I do not off-hand or at the present moment know what it was.

Q. As a matter of record, could you not bring it to us at another meeting?—A. I shall endeavour to do so.

Mr. THATCHER: Now, Mr. Chairman, I would like to make my motion, and when I have finished I would like to speak to it for one minute.

The CHAIRMAN: Yes, and everybody else has the right to speak to it.

Mr. THATCHER: Before the committee tosses it out, I hope it will give it consideration.

The CHAIRMAN: If your motion is good I do not see why you should have such doubts.

Mr. THATCHER: My motion is based on appendix No. 3 in the report of the Minister of National Defence, which shows that in the reserve army, during the period under study, we had a loss of 43,000 men in our reserve forces.

My motion reads as follows:

In view of the loss recorded in the reserve army strength from 1945 to 1950 as compared to the 20 years prior to 1939
and

in view of the importance the Minister of National Defence places in the reserve army strength in defending Canada, and in securing active recruits,

I move that this committee recommends to parliament the setting up of a special committee along the lines of the Mainguy Commission to institute a full-scale inquiry into the reasons for the disappointing enlistments in the reserve army, and to make suggestions to remedy the situation.

I make that motion for a number of reasons. First of all, because Mr. Drury today told us that there was sufficient armoury space, that the reserve army had plenty of equipment; he told us that the pay for the reserve army had been increased since 1939. I make the recommendation because we have seen that the figures in the active army have increased considerably while the reserve figures have not. I make that recommendation because Mr. Drury stated that 40,000 or 50,000 is not a sufficient figure for the reserve army. And he also stated that the material inducements today, in his opinion, will not get us the actual recruits that we need. Now, it seems to me that in view of the international situation this lack of reserve strength has really reached alarming proportions and I think a commission of this kind, that would be composed of three or four men who are trained men and know this thing—and I presume

several of them at least would be military men—they might be the people who would come in and find the answer where this committee or even parliament itself is not in a position to do so. I believe the Mainguy report, whatever it was, made some good recommendations and we could have recommendations from a body similar to that. There would be more common sense in our doing it that way than in trying to proceed the way we have been going this morning.

The CHAIRMAN: I will read the motion first and then it will be open for discussion. Mr. Thatcher moves that this committee recommend to parliament the setting up of a special committee along the lines of the Mainguy commission, to institute a full scale inquiry into the reasons for the disappointing enlistment in the reserve army and to make suggestions to remedy that situation. Are there any comments?

Mr. ROBINSON: Mr. Chairman, I would be obliged to vote against this motion for two or three reasons. In the first place I don't think the actual figure on enlisted strength in the reserve army in any way indicates the job they are doing. I can only speak with some authority of the unit in our county, which is an anti-aircraft unit formed I think in the period under review in this committee. That unit has not as yet been concerned with enlistments, it has been concerned up to date with training of a cadre of officers and N.C.O.'s who will be able when the time comes, when they want enlistments, to expand very rapidly. And I think that unit is doing a very good job in that respect. They went to camp last summer with only a cadre of officers and N.C.O.'s. That was their particular objective. So I am not too concerned, if that condition is apparent in other parts of Canada. I am not concerned with the total figures as long as this cadre of officials and N.C.O.'s is being trained. Secondly, I think that Mr. Thatcher is delegating from this committee powers that we ought to keep to ourselves. I have sat on this committee for a number of years and I have heard Mr. Thatcher ask and even howl for National Defence accounts to come before this committee. Now after we have had just a few meetings on the National Defence figures he wants to take our powers away from us.

Mr. THATCHER: I just want to keep the thing right on going; I want to sit three times a week.

Mr. ROBINSON: Your motion does not indicate that.

Mr. THATCHER: Yes, it does.

Mr. ROBINSON: Now he wants to take some of the powers away from this committee and give it to a commission, and I think Mr. Thatcher is reversing his position very quickly; and I might say, as usual. In the third place I do not think that this committee has the power under its terms of reference to enquire into the particular subject covered by this motion which concerns, if I understand it correctly, merely the strength of the reserve army. We are here to enquire into the accounts of the Department of National Defence during a certain period of time. I therefore think that our report should have to do with that and nothing else. For these three reasons I propose to vote against the motion.

Mr. SINCLAIR: What Mr. Thatcher is doing here is basing his comparison of the five or six years immediately after the war with the fifteen or twenty year period before the war. I am quite sure that if Mr. Drury brings in figures on the reserve enlistments between 1925 and 1938 that we will find that our condition is very much better today, in the post war period, than it was then.

Mr. THATCHER: We are still not doing well enough.

Mr. SINCLAIR: Well, there is another point; in Canada today there are thousands of loyal men who have lived and who are available should a case of real need arise but who would be the last people today who would join the reserve. They say, we have done our bit, and if we are called on again we

will be available. That is a very different situation from what you had in the period between 1925 and 1939. And another thing, and I say this entirely on my own recollection of the reserve army, the reserve army in those days had an appeal because of social activities. People joined the reserve army because there was a certain social standard, at least as far as officers were concerned. The men who are joining the reserve army today are joining it for a very different purpose. There is a possibility of war. Even you, yourself, know, in your own city of Toronto, of a great number of people who joined the reserve army between 1925 and 1930, and the reason for their joining the reserve army was not with the thought of that they might be called to active service, but because these people in that way had an opportunity of attending regimental balls decked out in fine uniforms. You had the appeal of entertainment and you got people to join up. Now, as Mr. Robinson has pointed out, the job of this committee is to make certain investigations and report, not to divest itself of its responsibility and recommend the appointment of royal commissions or special committees. Mr. Thatcher has been one who has been most anxious to investigate defence department accounts. Perhaps he should himself investigate and find out a little more about the reserve army and the way it is carrying on before calling for the appointment of a royal commission.

Mr. WRIGHT: Might I ask Mr. Sinclair one question, during the period 1925 to 1939 there was still a great possibility of war, and he said that it is not as great as it is today—all right; but I would point out this also, we are now five years after the war; we are not expecting men who saw service in this last war to enlist in our reserve today. Our reserve today is built up of the young people who have grown up since the last war and who have no experience; and it seems to me that there very definitely is a falling off in the recruiting of these young people who are coming of age and should be getting some military training, and that is not to be compared to the period between 1935 and 1939, which was immediately prior to the last war. As for this committee being able to go into all the details as to why this situation exists, I do not think that we are in a position to do it. I think that a committee or a commission such as suggested by Mr. Thatcher would be in a much better position to do that work than we would as a committee. As Mr. Robinson has said, this committee was set up to go into the public accounts, but in going into those public accounts we find that for the expenditure of certain moneys, those made in connection with the reserve army, we are not getting results; and it seems to me that this committee would not be carrying out its duty if it did not make a recommendation on the basis of the figures which have been presented to us to do something about it. That is why the committee was set up, to get some action; and this recommendation I think goes to the root of the matter, has much merit, and is one to which this committee should certainly give consideration.

Mr. MACDONNELL: I would agree absolutely with what Mr. Robinson and Mr. Sinclair have just said if this committee was able to consider this situation at the present moment. I am in agreement with what Mr. Robinson said about the reserve anti-aircraft unit in his county. He described very accurately just what the situation is, and I think that is perfectly proper at this time. I will be very frank and say that perhaps we are being very foolish letting ourselves live in a feeling of security, I think rather we should recognize the change which has come about in the whole situation, and that is something which I think we have to recognize. Now, Mr. Chairman, it is quite all right for us to sit here and study this; but, what is it we are studying? We are taking accounts which are fourteen months old. It is quite possible that the situation has changed in the meantime. We do not know; and, therefore, Mr. Thatcher's motion it seems to me is a very sensible motion, which in effect is that we should not drop this thing. Every man in this room faces a very serious matter,

whether we vote for the motion or whether we vote against it. So far as we are concerned, we are just talking out the window, really, we do not know what we are talking about, we have no way of coming to the meat of this question. I must confess that I was disturbed to see Mr. Drury so little disturbed. No, perhaps it is not fair for me to put it that way because one should not ask Mr. Drury to express an opinion on the matter of policy; but I think I am fair in saying that he did not appear surprised about this reserve army; but I think the situation is such that we are justified in not leaving it where it is; I think that what Mr. Thatcher is suggesting is that we should not leave this, and I hope that we will have an opportunity of dealing with it now, Mr. Chairman. My impression was that it was the chairman's intention to rule this motion out because it does not relate to an item of expenditure, that it must be related to some item of expenditure in the accounts for the year under review, 1949-50. I do suggest, Mr. Chairman, that this arises directly out of accounts which have been under discussion, and that it should not be ruled out.

The CHAIRMAN: Do you not think that the chairman has given you a lot more latitude than the terms of the reference strictly allow?

Mr. MACDONNELL: Mr. Chairman, I don't know.

The CHAIRMAN: I mean, within the present reference to us. The chairman has given a lot more latitude to the members of the committee than would ordinarily be given in such a committee. The whole of the discussion this morning has not been directly related to public expenditures.

Have you any further comments? Well, gentlemen, I think I am obliged to rule this motion out of order.

Mr. THATCHER: Oh, Mr. Chairman.

The CHAIRMAN: I will explain my reasons, if you will allow me to. It is out of order, in view of the powers—

Mr. FLEMING: Do you want to hear some submissions on your point of order before you rule?

The CHAIRMAN: Yes, after I have given mine.

Mr. FLEMING: It is your ruling you are giving now?

The CHAIRMAN: Yes. I am saying that in my opinion the motion is out of order for these reasons: the committee has been entrusted with the task of looking into the public accounts of Canada for the fiscal year 1949-50. That power has not been extended. That is all the authority we have. That is the reference given to us by the House of Commons. Of its own free will the committee decided to study the accounts of the Department of National Defence. As I said many meetings ago, the full figures of the public accounts amount to over a billion and a half dollars, and the total for the Department of National Defence for the year under review amount to over \$387 million. I think that is a tall order and we have not delved into it to any great extent yet, although we are moving in that direction. We are dealing now specifically with the figure of advertising expenditures in connection with enlistments. First of all we had the statement that the result from expenditures on advertising for enlistments had been disappointing. We have had no witnesses before us who have said that, that is a conclusion that Mr. Thatcher has arrived at himself.

Mr. THATCHER: Mr. Chairman, may I say a word there?

The CHAIRMAN: After I am through you may have all the time you wish in which to argue. This statement which Mr. Thatcher makes is not a statement which has been made by a witness—I do not think there is any doubt about that at all. Using the expression of Mr. Macdonnell, we are not tossing out or covering up anything; we are trying to stick within the limits of our

order of reference. I have been very generous in my interpretation of those limits. The whole discussion as to whether this or that method of doing a certain thing in the army does not come at all under our authority, but I have let it go on a good many occasions. But now, as to the questions pertaining to this matter of advertising for the reserve and the active army, or its result in the way of enlistments, as long as members remain within this subject, whether or not the amount spent here was spent wisely or not I will allow them. Now, on this matter of advertising and the results obtained for it, you have the suggestion in the form of this motion to switch our authority to another body, and that would be taking out of our hands something which has not even been entrusted to us. We have to decide whether certain amounts of money have been wisely spent or not. That is all right; but now the suggestion is that we should send the whole thing to another commission to investigate.

Mr. THATCHER: Not the whole thing, just one issue.

The CHAIRMAN: All right, not whether it is costing too much, not whether these expenditures are wisely made, but to discover the reason for what Mr. Thatcher calls the disappointing enlistments through some form of commission or committee. So, after having heard arguments on the matter, I am prepared to give my ruling. I have never at any time tried to prevent anyone from expressing his views. So far as I am personally concerned I find that I must rule the motion out of order, but before giving my definite ruling I am prepared to hear the views of the committee on the matter.

Mr. FLEMING: Mr. Chairman, with respect, I simply could not follow your grounds for ruling it out of order. The reasons that you have indicated now are the reasons which relate to the merits of the motion and not the question of order. You have dealt first of all with the recitals; well, whether the recitals are accurate or inaccurate is not the question. That is going at it the wrong way around. That might be grounds for voting against it if the members do not think that the preamble states the facts, but that does not relate to the question of order. Apart from the preamble what is there in the motion? It proposes to go back to the House and ask us to follow a certain course. Now, there is nothing in that which offends the terms of reference to us at all. There is another point of order involved there. We are continually asking the House to do certain things. In the very able report that we made last year we asked the House to do certain things.

The CHAIRMAN: And we can do that again.

Mr. FLEMING: That is all that is involved in this present motion, Mr. Chairman. Vote against it if you do not think it is the kind of motion you can support; but you have not, with the greatest respect, any grounds for ruling it out of order. That motion of mine which you entertained at the meeting of May 1 was a simple point of the same nature. The minutes of that meeting show that its purport was that the House be requested to enlarge the terms of reference to the committee to include certain expenditures and certain information.

The CHAIRMAN: Certain expenditures—your motion was dealing with the extent of our powers to deal with matters subsequent to March 31, 1950, concerning expenditures. Your motion was at that time to project the enquiry into the following fiscal year as far as expenditures were concerned, not from looking at what was being done in the matter of government policy, and I think the motion you made at that time was in order; however, I thought it should be left to the committee to decide for or against it. I thought it was in order because it was asking that we might carry on our study of expenditures into the year projected after March 31, 1950, and so there was nothing in it that was not in order. But in this case I do not think that this motion relates to an exact item of expenditure, but rather that it involves a question of policy.

Mr. FLEMING: But it arises directly out of the enquiry we have thus far properly made within our terms of reference.

The CHAIRMAN: Evidently it arises out of expenditures, and to a certain extent the same thing can be said of anything which comes before this committee.

Mr. WRIGHT: Mr. Chairman, this motion would not have been made had there not been certain figures put on the record which we have had the right to examine to date.

The CHAIRMAN: You can carry on examining expenditures as long as you want to here.

Mr. WRIGHT: I know, but we cannot go on ad infinitum into the details of examining some of these expenditures, and where we are getting certain results following from these expenditures we can follow that up. All this motion does is to say that in view of certain figures which have been placed before us this committee feels that something should be done. Now, I think this committee has a perfect right as the result of examining certain figures to make a recommendation with regard to those figures, looking for some means by which it might be improved or made more useful and so get better service for the country. If we cannot do that we might as well fold up—I mean, all we can do is just speak our mind as a committee on this matter. I think you are restricting our terms of reference.

The CHAIRMAN: Not at all.

Mr. WRIGHT: If you rule this motion out of order, I think it is a restriction on the terms of the reference to us.

Mr. THATCHER: I am not going to argue the merits or the demerits of the decision you have made but I do suggest that you are using a technicality here which may be well advised or not. Mr. Robinson made a statement as to a reserve anti-aircraft unit in his county, and there is the fact that our reserve strength is only 45,000—and I believe the minister stated in the House that that was merely paper strength and that if you actually boiled it down to the men we were really training it was closer to 25,000. The thought I had in mind was that there are many able men who should know about this thing, and we all know that this question of the reserve strength is of very serious importance to the country at this time, and I think that a committee of experts of the kind I have proposed should be able to tell us what we can do, aside from conscription which parliament says they do not want, to get sufficient recruits in the Canadian army. I suggest the international situation warrants that. With the greatest respect, even though you may be right, I wish you would allow the committee to vote on it.

The CHAIRMAN: The committee can vote on my ruling if you appeal from it.

Mr. THATCHER: Yes, I can appeal from your ruling, but I would prefer to have the vote on the motion.

The CHAIRMAN: I feel that in all frankness that your motion is wrong. There is a technicality involved, and I think if your motion had dealt with an actual expenditure it might have been in order, but your motion makes assumptions that are not proven and have not even been given to this committee.

Mr. THATCHER: If you want the word “disappointing” out I will gladly withdraw that.

The CHAIRMAN: I do not think this motion, even taking out the word “disappointing” would be in order because it does not relate to an actual expenditure; and even if it did, it is up to us in this room to decide. I personally feel that the motion is out of order.

Mr. FLEMING: You know what the Speaker has done in the House from time to time when he has been in doubt as to a thing being in order?

The CHAIRMAN: I am in no doubt as to this being out of order. I am perfectly sure it is out of order. I might very well have let it go and be voted on by the committee, but in doing so I would be evading my duty as chairman. I think the motion is out of order. I may be wrong, in your mind, but that is my feeling. I may be in your view very wrong; however, that is my view. If there is no further debate I will give my ruling. I rule that the motion is out of order.

Mr. THATCHER: I appeal from your ruling, Mr. Chairman.

The CHAIRMAN: Mr. Thatcher has moved, that this committee recommends to parliament the setting up of a special committee along the lines of the Mainguy commission, to institute a full scale inquiry in the reasons for the disappointing enlistments in the reserve army, and to make suggestions to remedy the situation.

The chairman has declared the motion out of order. Mr. Thatcher has appealed from that ruling.

(At this point a vote was taken.)

The CHAIRMAN: I declare the chairman's ruling maintained.

Have you any further questions on the answers that were brought in at the last meeting? We dealt with many subjects at the last meeting. Are we satisfied that we have finished with the present witness?

Mr. BROWNE: May I ask a question about the Officers' Training Corps in the universities?

The CHAIRMAN: Yes.

By Mr. Browne:

Q. Do these figures cover Officers' Training Corps in the universities?

The CHAIRMAN: You mean for the enlistments?

Mr. BROWNE: Yes.

The CHAIRMAN: The statements we were looking into concerned publicity expenditures and advertising expenditures. Now you want to know if they include the Officer's Training Corps?

Mr. BROWNE: Does that cover the Officers' Training Corps?

The WITNESS: It does.

By Mr. Fleming:

Q. And their strength is included in these figures, in the table we are now dealing with?—A. They are members of the reserve forces.

Q. Have you got the figures of the Canadian Officers' Training Corps strength in these three years?—A. Not for these three years, no.

Q. But they could be made readily available, could they not?—A. I can get them. Do you want them?

Q. Yes. Thank you.

Mr. THATCHER: Has Mr. Drury answered that question?

Mr. FLEMING: He will bring some information to a later meeting.

Mr. THATCHER: I have another question arising out of one of the answers Mr. Drury gave at the last meeting. He told us the amount spent on equipment in that year. Could he tell the committee what amounts were spent on modern, up-to-date tanks?

The CHAIRMAN: You mean for the year 1949-50? You have it in the report, appendix F, to the meeting of May 3. It is a big appendix. You will note that the appendix in question was supplied at the request of the chairman.

Mr. THATCHER: Have we purchased any modern tanks in the period under review, Mr. Drury?

The CHAIRMAN: It is the third line in appendix F—"Tanks, and Armoured Fighting Vehicles."

The WITNESS: I would like to consult with a member of the quartermaster general's staff.

Mr. THATCHER: Very well.

The CHAIRMAN: Do you care to have him brought to the table? Do you want him called as a witness?

The WITNESS: If you want him called as a witness, it is entirely up to you. There were no new pattern tanks bought during that year.

By Mr. Thatcher:

Q. Does that mean that our Canadian army is still equipped with the old model tanks from the last war?—A. It was, as of the 31st of March, 1950.

Q. And that has been changed since that time, has it?—A. As the minister announced in the House, it is in the process of being changed.

By the Chairman:

Q. For that amount, \$1,626,237.14, were there purchases made of tanks in the year 1949-50?—A. These expenditures cover not new equipment but maintenance and spares of the equipment we already had. In the case of tanks, it meant tracks which had worn out, new tracks, bogey wheels, engines, and so forth.

Q. Does that mean operation of the tanks during the year for training purposes, or for the cost of operation, the gasoline and so on?—A. No. It does not include the cost of operation.

Q. It is just for repairs and maintenance of tanks during the year?—A. Just for repairs and maintenance of tanks during the year.

Q. And not for the purchase of new equipment?—A. Not for the purchase of new tanks.

Q. I mean tanks, whether former models or new models; does that mean the purchase of tanks?—A. There were no tanks new or old included in that.

Q. It was just for up-keep, maintenance and repairs?—A. And the purchase of spare parts.

Mr. THATCHER: Is it recognized by military authorities who know something about the subject that these tanks would be mostly obsolete under present day conditions, let us say, in Korea.

The CHAIRMAN: It has nothing to do with Korea.

Mr. THATCHER: How is that?

The CHAIRMAN: Your question. It has nothing to do with the expenditure itself. It is a question of tactics; a question of policy; a question of opinion.

Mr. THATCHER: How is it a question of policy?

The CHAIRMAN: Because whether this model or that model is better in the field is not something for us to decide. The decision for us is whether this amount is too big or too small. It is our duty to find out whether an amount has been sensibly spent or well spent. But whether one tank or another should be in Korea is not for this committee to decide.

Mr. THATCHER: Surely our Department of National Defence would decide that matter.

The CHAIRMAN: Whether it be a government or National Defence department policy, it has nothing to do with the public accounts of 1949-50. But you may ask what have they got for that large amount of money.

Mr. THATCHER: They have not got any new tanks. That is obvious.

The CHAIRMAN: But the question whether such and such a tank should be in Korea today is not relevant.

Mr. MACDONNELL: Let us suppose that this type of tank is now being used in active warfare today. That is a matter of fact and not a matter of policy. And if in fact then that type was so used, then surely, as Mr. Thatcher has said, it is relevant in determining what value we are getting for our money. Is not that so?

The CHAIRMAN: I do not agree with that. If we were in a defence committee we might possibly discuss whether we should adopt one type of equipment or another, and that would be right. But now we have to ask these people: What did you do with this money? Did you spend too much for that, or did you not? That is the question. Not whether a new or an old model should be used in Korea today.

Mr. THATCHER: If in fact as at March 31, 1950, the tanks used in the last war were obsolete, do you think it was wise to spend \$1 million odd, or whatever it was, for reconditioning them?

The CHAIRMAN: You mean they should have been discarded?

Mr. THATCHER: I am asking the witness.

The CHAIRMAN: I am including this part of the question. Do you mean to suggest that we should have discarded them?

Mr. THATCHER: I am asking the witness.

The WITNESS: It is your statement that these tanks were obsolete.

Mr. THATCHER: Did you not say they were obsolete?

The WITNESS: No.

The CHAIRMAN: No. He never said that.

By Mr. Thatcher:

Q. Do you think you could use them?—A. I have not said that. Now, the tanks that we had in 1950 are not the latest tanks that are available today. I will say that. And in so far as tanks held in 1950 have been replaced by later models, those tanks are then obsolete. That is correct. Now, as to the military advisability of using those tanks in Korea, I would hesitate to express an opinion.

The CHAIRMAN: I do not think an opinion is to be expressed by you before this committee. The main point is: Was that expenditure warranted or not, or was that money well spent? If you come and say: Well, these tanks were so obsolete that we should have discarded them and not spent this amount, then we could put the blame on whoever decided it. But if we have a given amount before us, whether it be for old or new tanks, it is immaterial what is going on in Korea today. We do not have to get that before this committee at all.

Mr. THATCHER: Let us suppose with the tanks we have in Canada today—

The CHAIRMAN: That we had at that time.

Mr. THATCHER: Very well, with the tanks that we had at that time—can you train men in that kind of tank in your various reserve units and qualify them to use up-to-date tanks, if you get them?

The WITNESS: The operation is substantially similar, and training in this type of tank on which we spent maintenance money to keep them running would now be almost as good, but not quite as good as training in the latest model of tanks.

The CHAIRMAN: That was a pertinent question. I did not object to it at all.

Mr. THATCHER: Thank you.

The WITNESS: I would further suggest that the money was far from being wasted, and that it was well spent in keeping these tanks running; otherwise they would be of no use for training at all, or no use in an emergency, had one arisen.

The CHAIRMAN: May I ask you a question about which there might also be doubt if it is in order? If in 1949 some troops had been parachuted into some section of Canada, could these tanks have been used in 1949-50, or were they just museum pieces?

Mr. MACDONNELL: I think your question is out of order, Mr. Chairman.

The WITNESS: They would have and could have been used as operational tanks.

The CHAIRMAN: Good!

Mr. THATCHER: The point still remains that as of the date of this statement we do not have one modern tank.

The CHAIRMAN: If at that moment there had been an invasion they could have been usefully employed, this money was well spent.

Mr. THATCHER: Yes, and if they had had bows and arrows, they could have been used too.

The CHAIRMAN: That is senseless!

Mr. MACDONNELL: Mr. Chairman, on the one hand you are allowing yourself to ask a question which is rather out of order, and you will not allow anyone else to ask one.

The CHAIRMAN: The implication from Mr. Thatcher's remark was that this money had been spent unwisely because the tanks were no good.

Mr. THATCHER: I did not say that, Mr. Chairman. You said it.

The CHAIRMAN: And the fact that today more modern tanks may be in Korea has nothing to do with this matter.

Mr. THATCHER: I believe, despite all the money we spent, that we did not have one single up-to-date modern tank.

The CHAIRMAN: That is your statement. Have you any further questions? We have ten more minutes, so shall we take up this appendix F, this statement, or do you want to take anything else?

Mr. FLEMING: May I ask a question, Mr. Chairman? I see under the item "Clothing and personal equipment" an expenditure of \$7,047,945.46. That of course includes web equipment and other forms of personal equipment. Might I ask if there is included in that item any equipment that was web or otherwise that was purchased, which had previously been declared surplus?

The CHAIRMAN: Did you say "web"?

Mr. FLEMING: Web equipment.

The WITNESS: No.

By Mr. Fleming:

Q. So that is all new equipment which had never previously been owned by the department?—A. The Department of National Defence.

Q. Have you made any purchase of new web equipment since?—A. Since this period?

Q. Yes, since the period covered by this statement?—A. This question was ruled out of order some time ago, was it not?

The CHAIRMAN: Will the reporter please re-read the last question?

The REPORTER:

Mr. Fleming:

Q. Have you made any purchase of new web equipment since?

The WITNESS: I did not understand the question. Yes, we have purchased new web equipment.

By Mr. Fleming:

Q. Was any of that equipment previously owned by the department and declared surplus?—A. I am pretty certain that the answer to that is no!

Q. Can you verify that?—A. Yes.

Q. Then a general question in regard to the purchase of anything. When a purchase is carried out by the department, or any expenditure made through the department, whether for purchasing equipment or for payment of service and so on, what general instructions are issued by the department to those concerned in purchasing such equipment or services as to economy? Are there any general instructions laid down by the department?—A. At fairly frequent intervals, instructions go out regarding the necessity for economy, and making an order that economy shall be practised.

Q. What is the nature of those instructions? Have you any specific cases? Are they written instructions which go out?—A. They are written instructions.

Q. To all persons concerned in making purchases of materials or services?—A. Yes.

Q. Could you bring us some examples of them?—A. I shall.

Q. At a later meeting?—A. Yes.

Mr. MACDONNELL: Would that relate also to the work of the C.C.C.?

The CHAIRMAN: What proportion of the purchases that may be covered by this report would be made directly by the department, or through the C.C.C., upon orders by the Department of National Defence.

Mr. MACDONNELL: What I am concerned with are the general instructions issued by the department within the scope of its own purchases of either equipment or services.

The CHAIRMAN: I was wondering if this wasn't only a very small proportion of their total purchases, the ones that would be covered by such a memorandum, and if the purchases were not made mostly by or through the C.C.C.

The WITNESS: The amount is \$2,660,000.

The CHAIRMAN: Of the purchases made by the department out of \$28 million?

The WITNESS: Out of \$116 million.

By Mr. Fleming:

Q. Does that figure include services purchased as well as materials purchased?—A. These are all expenditures locally made direct to the trade rather than through the C.C.C.

Q. Would it include the purchase of services as well as the purchase of materials?—A. They would include the purchase of services, except however payments made to hourly rate employees. For example, when the engineers undertake a job on their own, they hire local labour to do the job. Such expenditure is not included in this figure of \$3½ million.

Q. Whatever the instructions issued cover on such cases, whether it be the purchase of materials or services, I would like to see examples of some of them in respect to this period. At what intervals do you issue such reminders?—A. There is no routine interval. If there were a routine interval, it would look too matter-of-fact. But they are issued when they appear to be necessary.

Q. What would give rise to that, to when it becomes necessary? What would give rise to the issuance of a reminder?—A. Generally in cases where examples of any lack of economy had come to notice.

Q. Perhaps it would be fair, if I did not press this today, to ask you, when you bring in copies of these instructions for a later meeting, to be prepared to indicate out of what circumstances those instructions arose.

The CHAIRMAN: We no longer have a quorum.

Mr. THATCHER: If we finish this question, could we have Mr. Drury start with the details?

The CHAIRMAN: The details of the public accounts? I am ready any time the committee wishes to start. That is what I have been advocating ever since the beginning. If the members are finished with the witness who has been questioned up to now we might very well start with the documents. In fact, this is part of the work we shall have to do. We should start with this report as contained in the second chapter, unless there are still some general questions.

Mr. FLEMING: Yes, Mr. Chairman, there are some things which Mr. Drury was going to bring here from the last meeting.

The CHAIRMAN: You would rather clear that up first?

The meeting now stands adjourned until Thursday morning at 11:00 o'clock.

The committee adjourned until Thursday, May 10, 1951, at 11:00 a.m.

APPENDIX A

STATEMENT OF ESTIMATES, TOTAL EXPENDITURE, ENLISTMENTS AND
AVERAGE EXPENDITURE PER ENLISTMENT—1947-1950

	Estimates	Expenditure	Enlistments		Average
	\$	\$	Active	Reserve	Expenditure per Enlistment
					\$
1947-48					
Navy	78,500.00	33,171.50	1,081	891	16.82
Army	114,500.00	78,085.97	4,723	11,429	4.83
RCAF	97,000.00	80,644.46	1,587	544	37.84
Total	290,000.00	191,901.93	7,391	12,864	9.47
1948-49					
Navy	278,800.00	236,246.10	2,103	1,574	64.24
Army	196,500.00	328,413.57	4,579	19,118	13.85
RCAF	207,000.00	282,931.26	3,618	1,294	57.59
Total	682,300.00	847,590.93	10,300	21,986	26.32
1949-50					
Navy	300,000.00	205,088.94	1,782	1,276	67.06
Army	410,000.00	430,599.41	3,322	19,089	19.21
RCAF	311,935.00	361,921.95	3,488	1,275	75.98
Total	1,021,935.00	997,610.30	8,592	21,640	32.99

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PUBLIC ACCOUNTS

MINUTES OF PROCEEDINGS AND EVIDENCE

THURSDAY, MAY 10, 1951

Mr. C. M. Drury, C.B.E., D.S.O., E.D., Deputy Minister of National Defence.

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MINUTES OF PROCEEDINGS

HOUSE OF COMMONS, Room 430,

Thursday, May 10, 1951.

The Standing Committee on Public Accounts met at 11.00 o'clock. The Chairman, Mr. L. Philippe Picard, presided.

Members present: Messrs. Anderson, Ashbourne, Benidickson, Boisvert, Browne (*St. John's West*), Campney, Cauchon, Cavers, Cloutier, Croll, Decore, Fleming, Fournier (*Maisonnette-Rosemont*), Fulford, Fulton, Harkness, Kirk (*Antigonish-Guysborough*), Kirk (*Digby-Yarmouth*), Macdonnell (*Greenwood*), Major, Pearkes, Picard, Pinard, Richard (*Ottawa East*), Robinson, Sinclair, Weaver.

In attendance: Mr. C. M. Drury, C.B.E., D.S.O., E.D., deputy minister of National Defence; Captain R. A. Carrick, Officer i/c of Personnel statistics at National Defence Headquarters.

The Committee resumed consideration of the public accounts relative to the Department of National Defence, for the fiscal year ended March 31, 1950.

Mr. Drury's examination was resumed. The witness tabled a number of statements which were ordered printed as appendices to to-day's Minutes of proceedings and evidence, as follows:

Appendix "A"—Table of strengths in the Navy and Army (NPAM) and the totals, for the years 1921 to 1925, both inclusive.

Appendix "B"—Summary showing, (a) allotment of training time, Reserve Force, 1950; and, (b) Camp attendance, Reserve Force, 1950.

He also orally answered a few questions asked of him during previous meetings of the Committee and was further questioned at length thereon and on the statements filed as indicated above. Mr. Drury was requested to supply other breakdowns of expenditures contained in the public accounts under study as they relate to national defence (see addendum). The witness indicated he would undertake to supply such information at the earliest possible date.

Captain Carrick, assisting Mr. Drury, gave certain precisions on specific matters arising out of the main witness' examination.

And the examination of Mr. Drury's still continuing; it was adjourned to the next meeting.

At 12.50 o'clock p.m., on motion of Mr. Robinson, the Committee adjourned to meet again at 11.00 o'clock a.m., Tuesday, May 15th.

ANTOINE CHASSÉ,
Clerk of the Committee.

MINUTES OF EVIDENCE

HOUSE OF COMMONS,
May 10, 1951.

The Standing Committee on Public Accounts met this day at 11 a.m. The Chairman, Mr. L. Philippe Picard presided.

The CHAIRMAN: Order, gentlemen. As we have done at the previous meetings we will ask the witness to produce some of the answers he has obtained to questions asked by members.

Mr. C. M. Drury, C.B.E., D.S.O., E.D., Deputy Minister of National Defence, called:

Mr. SINCLAIR: Before you start on that may I have a minute to speak on another subject. Members will recall that in the public accounts committee of last year we made a recommendation that a lot of the old debts which have been on the books of Canada for many years should be studied with a view to writing them off. Since that time a committee of Treasury Board have made an extensive study and an interim report on the write-off of old debts which the minister suggests should be studied by probably a sub-committee of this committee so that it would not interfere with our present studies. The other point, of course, is that in the details given in the discussions it is probably just as well that there should not be too much publicity. I wonder if the members would think this matter over so that perhaps at the beginning of our next meeting we might be in a position to take action by suggesting who would be suitable members to act on a sub-committee such as this, apart from the present study of national defence.

Mr. FULTON: Might I just ask Mr. Sinclair if he would elaborate a little on his statement?

The CHAIRMAN: May I be permitted to say a word? Last year, Mr. Fulton, when we did not have the pleasure of your company this matter was brought before us first by the Auditor General who suggested there may be quite a number of items carried in the books which are obsolete and which could never be collected—items which are out of date and so on. His thought in connection with some of these accounts was, that a sub-committee of this committee, sitting in camera by agreement, with all parties represented on such a sub-committee, might be able to do a better job than the main committee; and then they could issue a report to this committee. I would be very glad to let Mr. Sinclair elaborate if he wants to, but I only wanted to point out, as the Auditor General himself pointed out to us that these accounts were of this type. By way of illustration, take a fellow who at one time owed the government of Canada a certain amount of money which let us say, was taken without permission; action was taken and this fellow served his sentence and has since been a good citizen and has become re-established somewhere else in the country. There does not seem to be any reason why this man's name should be brought before the public again now because that would do more harm than good. There is a case where the money cannot be recovered and it would appear that the only practical thing to do would be to recommend its writing off. That is one of the reasons why in camera sittings would appear to be desirable.

Mr. SINCLAIR: And another reason for suggesting having these accounts examined by a sub-committee, in camera if you like, is represented by this: for instance there are a number of small debts outstanding with regard to printing of member's speeches; these are rather small items, the member, let us say, is now deceased and there is no recourse against the estate. I do not know that anything would be gained by having this information published.

The CHAIRMAN: I feel that the committee's first sitting should be in camera; then if any of the members feel, or have grounds for feeling that there is anything wrong with that method of proceeding they have the right to press that point here before the main committee, or, if they like, to go right back into the House and press it. The object of having hearings in camera is not to protect people particularly but to avoid indiscriminate harm.

Mr. MACDONNELL: Yes, Mr. Chairman, there might be cases which might be injurious to people now in business if these things were published—accounts which really have no bearing now but which are being carried in the accounts as deadwood.

Mr. FLEMING: I wonder if Mr. Sinclair would be good enough to indicate in what form these accounts would come before us. Would there be bills relating to each of the years brought in first?

Mr. SINCLAIR: No, it would be the report of the sub-committee. I have the report of the committee of Treasury Board which has studied all the departments. All the accounts are pretty well itemized and they include most of those that were discussed in the public accounts committee of last year. Some of them go back over a hundred years. We have, of course, established reserves against these in the books. The point which the public accounts committee made last year was that it was senseless to carry these things along when they are obsolete. I have just one copy which can be handed around to members of the sub-committee and by them back to the main committee if they want to follow it up. As I said, the minister would just like to have the reaction of the public accounts committee. It was his suggestion in the first place that these accounts should be so considered.

Mr. FLEMING: Would there be a bill introduced in the House, or would the action be taken by the Treasury Board itself?

Mr. SINCLAIR: Yes, there would be a bill brought down in the House of Commons to give effect to whatever was done.

Mr. FLEMING: Well, then, what they propose is that before the bill is introduced in the House there should be a general review of the whole situation?

The CHAIRMAN: No, the recommendation made by our committee last year was that we write off uncollectable debts. As Mr. Sinclair pointed out, since we made that recommendation the minister has had a study made by an internal committee of the Department of Finance, and he would like to submit it to you so that members of all parties on the committee, not only the departmental officials, will be aware of what is written off; so their own minds would be clear as to what was being written off. If that is acceptable, if you don't mind, I will, with the assistance of committee members, endeavour to organize a sub-committee and then submit to the committee the selections which have been made.

Mr. FLEMING: I presume we would reserve our views in regard to this matter until we have an opportunity of seeing this particular document.

The CHAIRMAN: You will appreciate, of course, that the idea is not to protect the government in any way; the idea is just that, as some of the members and Mr. Macdonnell suggested, that it might do more harm than good if publicity were given to the details of the amounts being written off. At the same time, if any of the members are dissatisfied it is open to them to bring the

matter before the main committee. But my point is that when the sub-committee is named we would like to sit in camera for the first few meetings anyway, so we could assess the reaction of its members.

Mr. FLEMING: All I meant by my last question is that we might have an opportunity of reviewing the material before the sub-committee is appointed. I take it that at our next meeting it is your intention to set up this sub-committee?

The CHAIRMAN: That is right.

Mr. FLEMING: I hope that in the meantime we will have an opportunity of seeing this material.

The CHAIRMAN: I doubt that.

Mr. FLEMING: And I thought that in the meantime we could make up our minds as to whether or not that would be the course to pursue.

Mr. SINCLAIR: Make up your mind as to who you want to have on the sub-committee. After the sub-committee is named we can decide the manner of sitting.

The CHAIRMAN: I do not think it would be fair to circulate the material now unless there is agreement that the sub-committee will first look at it in camera, and it would be up to the sub-committee to determine what they wanted to do with respect to their sittings. I think it is a matter of justice to the persons concerned in the claims that we should agree that the first meeting of the sub-committee will be in camera, and then if there is any disagreement on that point among the members of the sub-committee they can always come back to the main committee and have the matter reconsidered.

Well, gentlemen, this morning we will ask Mr. Drury to detail some of the answers to the questions asked at the last meeting.

The WITNESS: The first question relates to the number of enlistments into the active force from the reserve during the three fiscal years 1947-48, 1948-49 and 1949-50. I have some figures here for the navy and they were 34, 32 and 48—not of any great significance—34, 32 and 48 in those three years. Unfortunately, in the case of the air force and the navy, there had to be recourse to machine records and I was not able to get the figures taken off in the two days available. The figures of this type of enlistment are likely to be not too accurate in any event and the only way to get a complete check is to examine all the personal files of all the people who have enlisted in the active forces; and, in the case of the army now, the "A" branch is pretty well occupied with its current operation of processing large numbers through the reserve forces. It is a little difficult.

Next, the strengths of the reserve forces by years from 1919 to 1925. We have the table of these.

Mr. MACDONNELL: What was it you said about the air force and the navy figures?

The WITNESS: In respect to the navy and the air force, I said we will have to have recourse to machine records and I have not been able to get that for today.

Enlistments and strength, reserve forces, for the years 1919-25. I am tabling this as appendix "A".

(Appendix "A": enlistments and strengths of reserve forces for the years 1919-1925.)

The CHAIRMAN: You may carry on while these are being passed out.

The WITNESS: It will be seen from this table that it starts with the year 1921. This is for the reason that we have been unable to find any records of strengths in the reserve forces in the years preceding that. In the case of the navy the entry starts in 1924. The date of the first entry was the date of the

organization of the naval reserve. In the case of the air force no figures are shown at all because in those years there was no air force. The figures for the army running from 1921 to 1925 would bear out the point made that the reserve force in the immediate post war years declined, as have the reserve force figures in the immediate post war years after the second world war.

Mr. MACDONNELL: Declined from what?

The WITNESS: I said, there is a very slight decline in the figures shown for the period after the second world war.

Mr. HARKNESS: Yes, there appears to have been an increase for two years and then they declined again.

Mr. FLEMING: The figure for 1925 is actually a little higher than the figures in 1921.

The WITNESS: I was merely, Mr. Fleming, referring to the army alone. By the addition of the new service, the navy, they did go up.

Mr. FLEMING: Yes, it shows consistency and stability in the strength of the reserve forces.

The WITNESS: We have no figures on enlistments and wastage in those years. The only thing that remains of record is the strength.

Mr. FULTON: On that point which was just made by the witness, between 1921 and 1925 there is an over-all decline, just taking those two years only, in the army; and I would say from a rough calculation it would be 108. So, in 1925 there were 108 less men in the army reserve than in 1921.

Mr. FLEMING: You are looking at the total.

The CHAIRMAN: We shall get the auditor-general to check the figures.

Mr. FULTON: All right then, 908, Mr. Chairman. 49,135 taken from 50,043 makes a total of 908. So there was a decline of 900 odd from 1921 to 1925. But in the years in between there was an increase. 1922 is more than 1921; 1923 is more than 1922; and in 1924 there were still more than in 1921. So I do not think that the trend there at all corresponds with the trend in the years 1945-46 on, where there was a decline of nearly 20,000 from the war time figure, from the figure of the last year of the war.

The CHAIRMAN: All right, are there any more questions?

Mr. FLEMING: That is a decline of less than 2 per cent in the NPAM strength between 1921 and 1925; I do not think any one can talk about that in terms of a serious decline. Whereas, if you look at the figures on page 88 of the latest report of the Department of National Defence, there is a decline. Consider a comparable year to the end of the fiscal year 1945-46; it was down something like 20 per cent.

The CHAIRMAN: I do not know what point can be made out of that.

By Mr. Fleming:

Q. I do not know either; and if Mr. Sinclair were disposed to make a point of it, he would have to go back and ask for expenditures on advertising and other forms of recruiting expenditure at the time for a further basis of comparison.—A. I would suggest that it is unfortunate that our records do not go back to the years immediately subsequent to the war. The first figures we have are for two years after the war. If we look at appendix No. 3 on page 88 of the report, the figures for two years after the war are 1947 and 1948. They are those of the new reserve force, and indicate a steady increase.

The only point I was trying to make is that in the relative period for which we have statistics after the last war, there was, I agree, a very slight decrease; but nevertheless a decrease; whereas for the same period after this war, there has been a steady increase.

Q. If you are going to get it down to that basis, the figures you have just shown indicate an increase in the next year. I do not think there is enough information there to draw any satisfactory conclusion.

The CHAIRMAN: Anyway, conclusions would have to be drawn when we prepare our report. So should we not carry on now?

Mr. MACDONNELL: There was no advertising; I would be very surprised if there was any substantial advertising in the twenties.

The CHAIRMAN: I think all this was brought to our attention by the fact that we were considering in this case the cost of advertising. And when we prepare our report, that is an item which might come under our observation at the time, I mean the cost of advertising. But if we argue the case now, we would have to do it all over again. So let us pass on to something else where we can ask the witness answers about some of the expenditures made by the department.

Mr. HARKNESS: The only definite point established is that there were considerably more men in the army reserve in the comparable period after the first war than in the army reserve following this war, despite the fact that we have had an increased population.

The CHAIRMAN: Some people might argue: All right, but we had more over-all employment in Canada, and the situation was better. That argument might last infinitely if we got into that. So let us ask questions now from the witness.

Mr. CROLL: Are we not overlooking the fact that since then we have an air force which was not taken into account. There is a reserve for the air force; and undoubtedly for the navy it is substantial.

Mr. CAMPNEY: And a much larger active force.

The CHAIRMAN: Let us go on with the production of other answers.

The WITNESS: "The number of man days served in the reserve force in the same three years."

Unfortunately I have not got this duplicated, but I shall read out the number of man days for each of these three years by services.

First, the navy, 1947-48: 69,780; 1948-49: 98,160; 1949-50: 108,060.

The army, for the same three years: 918,900; 1,062,660; and 1,238,580.

The air force for the same three years: 29,568; 54,320; and 126,112.

And the totals by years: 1,018,248; 1,215,140; and 1,472,752.

By Mr. Fleming:

Q. That is the reserve only?—A. This is the reserve force only.

These figures again are to some extent approximations, the best estimates that we can make without consulting the individual pay records of every man. I had thought that perhaps we might be able to consult the pay records of the reserve force or the total pay accounts.

However, the rates of pay vary if not from man to man at least from rank to rank, and within the ranks according to the different trade groupings the man has. So it is almost impossible to strike an over-all total of the amount paid out. We would have to go back to the pay records of every single man in the reserve force.

By Mr. Pearkes:

Q. Those are just days for which pay was drawn. It does not take into account voluntary days given by a man.—A. Voluntary days for which no pay was drawn?

Q. Yes.—A. No. It would not be included.

Q. I think that is a pretty high per cent for the over-all reserve force.

By Mr. Robinson:

Q. Two drill nights make one day, during those three years you have been speaking of?—A. I am not sure; I shall have to consult with Captain Carrick.

Q. It used to be that if you drilled for two evenings, it was equivalent of one day of pay.

Captain CARRICK: I have not got that here, sir.

The WITNESS: There was a change, I know, made in the last year.

Captain CARRICK: It was made, as you say; but as to the time of change, I could not say; I am not sure.

The WITNESS: You do not know when the change took place?

Mr. FLEMING: The change to the three for one?

Captain CARRICK: In 1950, I think.

By Mr. Pearkes:

Q. I presume that would also take into account days in camp?—A. It includes days in camp.

Q. And one day in camp would count as one day?—A. As one day, yes.

Next: "Authorized establishments during these same three years." The authorized establishments were the same for each of the three years.

In the navy, it was 7,500; in the army, it was 187,865; and in the air force, it was 14,500; making a total of 209,865.

By Mr. Fleming:

Q. For the reserve only?—A. For the reserve only. And as I mentioned at the last meeting, those are ceilings beyond which the department cannot go without getting further authorization.

In the case of the army, the figure of 187,865 was further limited during the year in question by order in council to 90,000.

Q. What year was that?—A. 1949-50.

Q. To 90,000?—A. Yes, limited to that figure.

Mr. BROWNE: What was the year again, please?

The WITNESS: 1949-50.

Mr. HARKNESS: That was a figure of no significance because you never got anywhere close to it.

The WITNESS: That is correct. Mr. Fleming asked a question: What was the ceiling?

Mr. FLEMING: I have some questions on this, Mr. Chairman. Would you rather that we leave them until we get this matter over?

The CHAIRMAN: Yes.

Captain CARRICK: The ceiling was put on in August, 1947.

The WITNESS: The 90,000?

Captain CARRICK: Yes; and it remains still in effect.

The WITNESS: Not only for 1949-50, but for all three years.

Mr. FLEMING: What was the reason for the limitation of 90,000? What occasioned it?

The WITNESS: In 1947?

Mr. FLEMING: For all these three years, yes.

The CHAIRMAN: Was the decision taken by the government or by the department?

The WITNESS: It was a decision taken by the government and it was reflected in an order in council.

The CHAIRMAN: Then that is a matter of policy.

By Mr. Fleming:

Q. The witness can say whether it was a matter of policy or whether it was occasioned by some circumstance, and if he knows the nature of the circumstance, he might tell us.—A. I do not know the particular circumstance.

Q. You do not know why this limitation of 90,000 was carried through these three years, while the authorization remained at 187,865?—A. I do not know.

Captain CARRICK: The instructions about 90,000 were the result of minutes of a meeting of the Treasury Board which give an indication of the reason.

Mr. CROLL: It is not much help, I assure you.

The CHAIRMAN: It is just more cutting of expenditures.

Mr. CROLL: Very significant.

The WITNESS: In the year 1949-50 the objective at which we aimed within that ceiling—Mr. Fleming, you enquired—was a complete complement of officers, warrant officers and N.C.O.'s, and an average of 50 per cent of the men.

Mr. FLEMING: 50 per cent of what?

Mr. CROLL: Establishment.

Mr. FLEMING: Authorized establishment or limit?

The WITNESS: Authorized establishment.

Mr. FLEMING: We could very simply work that out. That would be 3,750 for the navy; 93,932 for the army; 7,250 for the R.C.A.F.; or a total of approximately 105,000 for all three years.

Mr. CROLL: Well, Mr. Fleming, you are using the wrong figure?

Mr. FLEMING: I asked the witness about that and he said it was the authorized establishment.

The CHAIRMAN: Let us get the witness to clear it up himself rather than just speculate.

The WITNESS: The authorized establishment for the army was, during those years, limited to 90,000.

The CHAIRMAN: Your aim was half of the establishment?

The WITNESS: No, Mr. Chairman, it would be more than half the establishment. It would be—

The CHAIRMAN: Half of the men and all of the officers—

The WITNESS: All of the officers, all of the warrant officers, all of the N.C.O.'s, and half of the men.

I do not know offhand what the breakdown would be within a unit or in various units as between officers, N.C.O.'s, and men but it would be more than half of the total unit strength.

By Mr. Fleming:

Q. I thought your answer was clear—that the half was applied to the 187,865, the authorized establishment rather than half of the 90,000, the limit imposed in August 1947?—A. No, half of the limit.

Q. Half of the 90,000?—A. Yes.

Q. Very well, what your objective was, as far as the reserve army was concerned, was 45,000?—A. Reserve army—no, it would be more than 45,000.

Q. More to the extent that you wanted 100 per cent rather than 50 per cent of the officers, warrant officers, and N.C.O.'s?—A. That is correct.

Q. That would bring it up to about 49,000?—A. That is the figure I am not sure of, but 49,000 to 50,000 would be a rough figure.

By Mr. Richard (Ottawa East):

Q. Is that not the figure I suggested the other day, Mr. Drury?—A. I think you suggested that 45,000 would be an adequate size for the reserve forces. We are talking here only of the army.

Q. Well what would the other amount to?—A. The other forces? I will get my paper here. The figure shown here for the navy reserve is 3,600, and for the air force reserve 2,300. That would raise the actual strength in this year by another 6,000.

Q. Yes, something around 50,000?—A. Now you asked me whether this would be a desirable figure. I would not like to give an opinion on what should be the strength, the optimum size, of our reserve forces as of today.

Mr. FULTON: Mr. Chairman, if you take Mr. Drury's figures of the number of man-days for the army alone—I have not had time to work this out for the others—and divide that by the number of men shown in the reserve army for the three years in question, you get, in round figures in 1947-48 an average of 27 days per man; in 1948-49 the figure is 44 days per man; and in 1949-50 it is 28 days per man. I would like to ask the witness if he can tell us how to account for the fact that there was an encouraging increase from 1947-48 to 1948-49—27 to 44—and then drop from a 44 back to 28 in 1949-50?

The WITNESS: Well, I am not sure the arithmetic that you have done, Mr. Fulton, leads to the conclusion that you have suggested. 30 days training were authorized during this particular year.

By Mr. Fulton:

Q. For each of those years?—A. Yes, during each of those years 30 days training were authorized, whereas the way you have worked it out different numbers of days training were done.

Q. I am taking an average number of days per man. You gave us a total in man-days for each of the years. If you take the army figures you gave us and divide by the number of men in the reserve army for each of those years you get, in round numbers, the figure I have given—which would indicate on an average 27 days per man were done in the first year, 44 in the second year, and 28 in the third year. I am wondering why there is an increase from the first to the second year and then a drop from the second to the third year?

Captain CARRICK: I do not know what figures you are using, Mr. Fulton, but we used the average strength for the year.

Mr. FULTON: I used the figures for the army reserve as given on page 88 of the department's annual report.

Captain CARRICK: Well, we worked out the average strength for the year. It actually works out to 30 days for each one of those years.

Mr. FULTON: Were the figures Mr. Drury gave us the authorized training days rather than the actual training days?

Captain CARRICK: No, we worked on an assumption, we will say. It is estimated that they did complete 30 days because some were allowed more and some probably did not train that much, so we used 30 days as a basis. We do not guarantee its accuracy but we think the figure is fairly close.

Mr. FULTON: In effect what you did was to multiply the average strength for the year as shown on your departmental figures by an average day's training per man of 30?

Captain CARRICK: That is right.

Mr. FULTON: In other words you just averaged or assumed each man had received 30 days training?

Captain CARRICK: Yes, we could not do it otherwise, unless, as Mr. Drury said, we looked at each individual man's pay documents which are in Area or Command headquarters and not at Ottawa.

Mr. FULTON: Would it be fair to say that what you have given us as best you can is simply an estimate based on the assumption that each man did in fact receive 30 days training?

Captain CARRICK: That is correct.

Mr. FULTON: The figures themselves do not show the man did receive that much training?

Captain CARRICK: No, we cannot state that it is absolutely accurate but it is pretty close.

By Mr. Fulton:

Q. I have another question on the figures you gave us, Mr. Drury. I think you said in answer to General Pearkes this included the 14 days in camp each year?—A. —10 days in camp.

Q. It is just 10 days and not two weeks?—A. There are actually 10 days in camp but there will probably be travelling time on top of that.

Q. That will leave the assumption then, and I think this must all be assumption on your basis, that there are 20 days left for the rest of the year—A. 20 days local training.

Q. For the rest of the year?—A. There is in addition to that, as I will show in answer to another question, in the case of the army an additional 15 days training authorized for a part of the reserve army to take care of special courses over and above local unit training and the unit camp training.

Q. Well may I ask whether it is possible, because I think these figures are important, to get a return of the actual man-days training for the reserve army for the three years in question, rather than an estimate based on the assumption that each one receive 30 days training?

The CHAIRMAN: The witness has said that would take a long time and require checking the individual records. We may ask for it but we will get it a long time from now.

By Mr. Fulton:

Q. I will ask the witness whether it involves more than a request or directive to Areas that they produce the figures? Would not the Areas have those figures showing how many men actually received training in each Area in the reserve? Would they have to go through a long process to get that information?—A. They themselves would have to consult—other than in some cases—the individual records.

Q. They do not keep it?—A. Well, some of them would be able to turn the figures out very rapidly but others would not and would have to go through a process of computation.

Q. Well could we ask you then to make a request and see at least what you can get without a very long process of computation. If you can get the information from 5 or 6 Areas we might possibly be able to take that as an average.

The CHAIRMAN: You will only get a few figures and that will not give us much. We had better ask whether we can get the information. It will not lead to any conclusions if we only get it from one or two Areas.

The WITNESS: Administratively I think it would be quite difficult to say in a general instruction which has got to go out through five army Commands and a whole lot of sub-Areas: let us have what information you can give without too much trouble. A return on that will be 'nil' all the way around, I am afraid. They are busy preparing for summer camp and other things, and you have got to be very precise as to what is wanted or it will not come in.

By Mr. Fulton:

Q. One thing which does surprise me is that the figures are not kept on a uniform basis by Areas and Commands—so that if you knew how long it took one to get the information you would know how long it would take the other to get it.—A. Captain Carrick may correct me but I do not think there is any requirement to keep unit records so as to show the total of man days served. If that were a statistical requirement they would all be kept on a uniform basis. However, you are asking for information for which, hitherto, there has not been a requirement.

Mr. MACDONNELL: How do you arrange the pay?

The WITNESS: The pay is a matter of individual accounts. On the total pay we make an estimate—an over-all estimate based on past performance, and it is a little high or a little low depending on how things go. Each man's pay account is a separate account—it must be, and it is very precise.

Mr. PEARKES: When was that system introduced? In the old days you always used to have a unit pay sheet. They were all down on the unit pay sheet which showed exactly the number of days trained by each man in a unit. All you would have to have done—I am talking about a few years back now and it has probably been changed since—but all you would have to have done in those days would be to have added up the total number of days on that unit pay sheet.

The WITNESS: I am sorry, General Pearkes, that I am not familiar with the actual pay arrangements as at present and it may be that they could go back to the pay sheets for those three years and take off all these actual man days.

By Mr. Fulton:

Q. Well, Mr. Drury, do units, including reserve units, not have to keep some form of training state so at the end of the year they themselves, on their own records, can show the number of men who have received so many days training?—A. The index of training received is the state of qualification of a man. Some men may take 25 or 30 days training and reach a given standard, and others only about half of that to reach the same standard. What we are really interested in is the condition of the man and not the amount of exposure he has had to training.

Q. No, but surely each unit must keep a parade state as they have their nightly parades to show how many men attended?—A. That is correct.

Q. And then you cannot say that some got good training or some bad or only partial, you have to assume that each one who attended received the full exposure for that parade. So could you not compile the total parade states for the year? Do not the units do that?—A. It could be done. I am not saying that we cannot get this information but we would have to go back to the units to do it and that would involve inevitably some amount of work on their part, digging out the records of four years ago, three, and two years ago.

By Mr. Harkness:

Q. These unit pay sheets were still in effect three years ago. I remember signing one certifying that it was correct, and sending it up to Command headquarters. I should think that must be at Command headquarters.—A. As of three years ago I would imagine that perhaps the records may well be consolidated I agree, Colonel Harkness.

Q. That would be for the year 1947-48. I do not know about subsequent years.—A. I do not know about the subsequent years. Now, this information can be obtained. I do not want to give the impression that it is not obtainable. It can be, but it does involve a certain amount of work across the country; however, if the committee feels it is important we will get it.

By Mr. Fulton:

Q. It seems to me it should be possible to get that information without too much work, because I understand that units keep these figures either in the form of pay sheets or a combination of parade and pay sheets, and I would imagine that they would surely be turned into Area or Command headquarters at the end of the year. I do not like to disagree but I doubt that it would be necessary to go right back to units to get that information. I think possibly we should ascertain that.—A. I will do that.

Q. I will be glad if you will.

By Mr. Macdonnell:

Q. I would just like to make one comment on this arising from the question that Mr. Harkness and Mr. Fulton asked. What troubles me is that you speak of estimating things and averaging things. Surely, when money is being paid out there must be an actual figure available and I would have thought just as it has been indicated by others, that those figures would start from units, unless you think the reports from units would be too optimistic. Otherwise, I would have thought the whole thing would build up to the final figure and it would not be necessary to give averages.—A. In respect to the pay, payment is made on the basis of very accurately determined conditions of service, and this service is verified on the spot by local paymasters. They do not pay on the basis of averages but on accurate records in respect of all this.

Q. That is what I would expect.—A. And these records are available; but what Mr. Fulton would like, though, is that these records be consolidated to draw off a total figure. Now, I say that can be done and we are going to try and do it but it has not been done to date.

By Mr. Robinson:

Q. How does pay get down say to the battalion level? My recollection is that the battalion commander or battalion paymaster was put in funds on the basis of the parade states for the previous two or three months. Is that correct or not?—A. The paying is done by the paymaster; and I am not quite sure by what you have in mind, by the term "putting in funds". An estimate is made at the beginning of the year, a forecast of the total amount of reserve force service for which payment will have to be made, and on the basis of this forecast allocations of money are made to Commands, and the Commands make it to their various subunits.

Q. My recollection was we had a pay parade about every three months and I think we had to send in a parade state and that we were put in funds on the basis of that parade state. In other words they had a fairly accurate idea of how much pay we would require for a certain period.—A. The payments are made on the basis of parade states, that is correct.

Q. I thought that was the case.

By Mr. Fulton:

Q. Just to make it clear what I want: I want to know how many man-days training were actually completed in the years in question by reserve force units, the total. I imagine you would then ask your command areas for the total in their own areas and each would collect them on down the line.—A. Yes. For each of the three services?

Q. No, the only one which I have any interest in at all is the army.

By Mr. Pearkes:

Q. It is possible you might find this information in the annual report submitted by the Command headquarters. I know that before the war annual reports were turned in by each district and they gave in those annual reports the number of days trained, so it is possible that you might, looking through the annual reports of the districts or commands, have it all available at your own headquarters.—A. In so far as those are precise rather than estimates, they will be acceptable?

Mr. HARKNESS: Yes.

By Mr. Macdonnell:

Q. Would it be fair to say that when we get a statement from the minister in the House as to the number of days trained that that is not an actual figure but that it really is an estimate? We were told you took as a convenient figure thirty days training, if I remember the figure. Now is it fair to say that when the minister is giving us figures as to the number of man-days training those figures are based on estimates, and he is not giving us actual figures at all?—A. It would depend on what he said. If he said that there was in the reserve force so many men and they were authorized to carry out thirty days training a year it does not necessarily mean that each of these men would all do thirty days training; some may not.

Q. Then the total figure of days training, as I understand it, is based on the assumption that each man does thirty days training. Is that correct?—A. That is correct. Now, it is not based on the assumption that every man on strength does thirty days; the assumption is that the average strength as shown on strength returns completes the training for thirty days.

Mr. HARKNESS: All this does not give a very clear picture as to how much time they put in. It does not give us a good picture.

The WITNESS: The total number of man-days?

By Mr. Browne:

Q. You do not seem to be giving us a very clear picture of the reserve force training. At least I do not seem to be able to get it from these figures. Have you got it yourself?—A. Well, I hope I have.

Q. Perhaps you could tell us then. You see, this arose over the discrepancies in the enlistments. For instance in 1947-48 there were 11,000 enlistments in the reserves, in the army; in 1948-49, there were 19,000 enlistments; and in 1949-50 there were 19,000 enlistments, nevertheless the total numbers had declined after the three years. There was a big turnover.—A. Yes, there was a big turnover. The total numbers had risen over the three years, but there was a substantial turnover, I agree with that. Now, as I said, not all the men shown on the strength of the reserve forces were present at every parade.

Q. How many were? That is a negative statement, and does not give us anything.—A. That is the figure that Mr. Fulton wants us to obtain precisely. The estimate we have here is made on the basis of reports from Commands for the year. For the army in 1949-50, 1,238,580 man-days. Divide that by thirty and you get an effective average strength of 41,300.

By Mr. Harkness:

Q. Well, is this not really the situation—we will bring it down to the basis of a unit so that we might understand it better: at one period in the year you had one hundred men on the roll and at another period of the year you had 300 men on the roll, so you had an average on the roll during the year of two hundred, and you multiply that two hundred by thirty in order to get the number of man-days. That essentially is what has happened is it not?—A. Well, the average is obtained, I think month by month, is it not, Captain Carrick?

Captain CARRICK: It is obtained from month to month, on a high and low, low, and multiplied by thirty.

By Mr. Harkness:

Q. Yes, but you see you had an average of two hundred men per month on the roll—the variation does not matter—let us say there were two hundred per month. Now, irrespective of how many days those men actually trained you multiply the two hundred by thirty in order to get your figure of man-days?—A. No, I would qualify that; not the average number of men on the rolls but the average effective strength, and by effective strength I mean the people turning out for training. Now, this might be less than the total number on the rolls.

Q. What you do actually, you might have two hundred men on the roll and the average which turned out for drill was one hundred, so the figure you would multiply by thirty is the one hundred?—A. That is correct.

Q. That actually then is the figure that Mr. Fulton has been asking for, the number of men who actually turned out for training.—A. It is in the area of the figure that Mr. Fulton wants. When you take an average and multiply it by a constant factor, if the answer is precisely correct it is coincidental. I think you will find that on the strength of this precise examination we are going to make the answer will be substantially as given in this sheet here.

The CHAIRMAN: Are we satisfied with that? Can we now carry on with the answers?

Mr. MACDONNELL: No, I am sorry—

Mr. RICHARD (*Ottawa East*): Mr. Drury, did you give us your figures as to how many recruits enlisted in the active force, who came from the reserve?

The WITNESS: I gave that figure for the navy but have not yet been able to get it for the army and the air force.

By Mr. Macdonnell:

Q. I still have this question. When Colonel Harkness asked you about the average which I think was the method you were using you said, “no, we do not go by that average, we take it by people turning out for training—I took your words down. Now, that seems to imply that you are not proceeding from this principle of average or average strength but that you have before you the actual record of people who turned out for training. Now, I am confused between these two; which is it?—A. In relation to pay, pay is paid out to a man by his unit on the basis of his actual performance, individually determined. These figures here that I have given represent the monthly average effective strength as reported to us by Commands multiplied by the number of days training in the year. Now, we do not use these figures, these averages, times the days of training, for pay purposes at all, this is for statistical purposes. The pay is based on actual, individually determined performance. Have I made that clear?

Q. Yes, I think you have, but I am still not clear on this final point. I think you have the actual figures, at least I understand you have, for purposes

of pay. Having those figures then I do not see how these averages, particularly these thirty day averages come in. I know there are people in this room who know more about these matters than I do, but I feel that this is a rather optimistic figure. However, that is by the way.—A. Well, the figures for pay are not brought into headquarters and collated here.

Q. I am still perplexed as to why you cannot give me the actual figures rather than these averages.—A. We can and we are going to work that out for Mr. Fulton in answer to his inquiry.

By Mr. Fulton:

Q. For purposes of comparison might I ask you on what you based the figures given in your annual report; for instance, let us take that 1949-50 figure of 43,047 for the reserve army; is that the average strength during the year, or is that the number on strength as of the 31st of March, 1950.—A. That is correct. It is the strength as of the given date.

Q. And is that the actual nominal roll strength rather than the parade state strength, the strength on the rolls?—A. It would be the strength on the rolls, as I do not think they held parades on that particular date just to determine the figure.

By Mr. Fleming:

Q. Just thinking in terms of your expression about approximation, the actual figures you have submitted this morning are not put forward as an actual statement of the man-days served in the reserve forces in the three years in question?—A. No, I think I made that clear when I gave them, Mr. Fleming.

Q. Well, the important question is how close an approximation may be made? Actually, it is quite clear, is it not, that this cannot be taken as reflecting with any degree of accuracy the number of man-days actually served in the reserve forces in these three years?—A. I have suggested to Mr. Fulton that they can and should be; and you will find, I hope and I am pretty sure you will find, that when we do this computation from the bottom up they will be substantially the same.

Q. Well, probably we had better reserve judgment on that until we can get the other figures—A. Well, that is my opinion anyway.

Q. Are you going to put such a statement in?—A. Yes.

Q. I would like to ask a question about the authorized establishments, Mr. Chairman. It relates to the last appendix which went in. Comparing these authorized establishments with the figures of actual strength in the reserve forces at March 31, 1950, I see you reduced your objective in the navy of one half of the authorized establishment. Will you not say generally that your objective was just one-half of the authorized establishment?—A. Well, if you will qualify that in every instance, by saying one hundred per cent officers, warrant officers and N.C.O.'s, I would agree.

Q. And just looking at that table would you say you had realized that objective in each of the three years under review?—A. As applied to 1949-50, yes. I am frankly not sure what the precise target was we were aiming at in these other two years. I only have the one year which you were asking for.

Q. Well, take this year 1949-50. In that year I think you said your army objective was in round figures 50,000 for the reserve, although actually the figure of strength on March 31, 1950 was 43,000—is that correct?—A. That is correct.

Q. I wondered whether it was—oh, I see, your objective so far as other ranks are concerned was 50 per cent of the authorized establishment?—A. The authorized establishment is a rounded unit establishment.

By Mr. Harkness:

Q. By that you mean units at full strength?—A. The unit complete; the complete unit.

Q. Yes, and up to strength?—A. And up to strength; the establishment is quite independent of strength, the establishment is the size and shape of the unit required to do the job.

By Mr. Robinson:

Q. And that changes from time to time?—A. This changes on occasion, depending on the re-assessment of the means needed to accomplish the purpose for which the unit exists.

Q. And there is a difference in your terminology as between establishments, between what you call a peace time establishment and an authorized establishment, is there not?—A. There is a difference between a war establishment and a training establishment.

Q. No, that is not what I meant. As I understand it, headquarters from time to time lays down what they call the establishment of an infantry battalion; there are so many men in a platoon, so many platoons, so many platoons in a company, and so many companies make up the battalion, and so on. That is what I understand was the establishment, at that time, of an infantry battalion; and when you are speaking of authorized establishments you mean something by way of complement to which the battalion commander is authorized to recruit and pay men for training—A. That is correct.

Q. That is what I mean, there is a difference between army establishment and authorized establishment?—A. War establishment is the term generally used; it is the organization of the unit required to do the job in war. Now as far as the reserve force is concerned, the important thing in these years in question to achieve was the training of the reserve force personnel, and in particular what was referred to the other day as the officer cadre. Their training takes some time, and it was regarded as more important to try to give training to that type rather than to the private soldier whose training can be accomplished in a fairly short time; and, generally speaking, those whose training requires a long time are the officers, warrant officers and N.C.O.'s; the men can be taken from civilian life without any previous military experience at all and trained to be fighting soldiers in a comparatively short space of time. For that reason the emphasis of getting one hundred per cent of the complement in relation to officers, warrant officers and N.C.O.'s has been stressed and only fifteen per cent of the men. Now in order to train officers and N.C.O.'s you had to have a certain number of men, they must have men to drill in the form of platoons, companys and so on, if they are going to get the necessary experience. That is the particular reason for having one hundred per cent officer, warrant officer and N.C.O.'s strength and only fifty per cent men.

By Mr. Fleming:

Q. Just to sum to it, Mr. Drury, in arriving at your objective you started off with an authorized establishment for the three services. First of all, at the beginning of this three year period, or close to the beginning of it, your objective was a little less than half—out of an authorized total of 187,000 your objective was roughly 90,000. Then you cut that further and the whole authorized establishment was reduced down to fifty per cent for other ranks—and, as you say, one hundred per cent for officers, warrant officers and N.C.O.'s—and then you were left with an objective of something around 60,000, I should suppose—62,000 or thereabouts—would it not work out at?—then you arrive at the end of this period with a total strength of 49,000 after having spent a substantial amount of money on advertising and other recruiting expenses?

Mr. CROLL: Your question should be worded the other way around, should it not; after spending a great amount of money on advertising and other expenses you get this net equivalent at the end? Isn't that what you mean?

Mr. FLEMING: No, I think my question is clear, I was merely putting into summary form what we have been told.

The WITNESS: As I understand your question, what you wish to suggest, is this: that in spite of spending money on advertising and many other efforts we did not achieve our objective one hundred per cent. That is correct.

By Mr. Fleming:

Q. Well then, to go back to the book again, it is not a correct statement of what was done and what was achieved; or, rather what was aimed at and what was achieved?—A. What was aimed at—

Q. In the way of strength?—A. In the way of strength, was less than what was achieved. What was aimed at was less than what was achieved.

Q. I do not follow that in the light of these figures.

Mr. CROLL: You mean that the other way around.

The WITNESS: Excuse me, that is not what I meant; what I meant to say was that what was aimed at was more than what was achieved.

Mr. HARKNESS: Actually what you aimed at was not 62,000. Mr. Fleming said that you aimed at 72,000. You aimed at a full establishment for the navy and the air force and got only fifty percent—and according to the figures given by Mr. Fleming that would be around 90,000—so that you achieved actually less than fifty per cent for the army?

The WITNESS: No, we did not aim at a full establishment for the navy nor for a full establishment of all the units of the air force.

By Mr. Fleming:

Q. I took that fifty per cent as applying to all three services, isn't that correct—for other ranks?—A. No.

Q. That is for the other units?—A. No, this is only for the army.

Q. Well then, you had better tell us what the objectives worked out to in the three services was, so we can have—A. Figures?

Q. Yes.—A. I would have to break that down.

Q. You gave fifty per cent as a round figure for the army?—A. Yes.

Q. And the navy authorized establishment was 7,500, what was your objective there?—A. That, Mr. Fleming, I am sorry, I do not know here.

The CHAIRMAN: We better have these questions considered by the witness so that he can bring the accurate figures. For the last fifteen minutes or half an hour we have been assuming this and assuming that and we have just been dealing with calculations made on the table without much work or direction.

Mr. FLEMING: Oh, a lot of work, Mr. Chairman.

The CHAIRMAN: Yes, a lot of work, a lot of brain work; but I think the witness should have an opportunity to bring in exact answers so that we can make accurate deductions when we are preparing our report, and so we can arrive at this or that conclusion. I do not think at this moment it would be fair to the witness or the department to assume that we have the complete and correct information. I do not say that with any intention of criticizing in any way the questions being put. It is the right of members to ask any questions they want to, but in doing that I am sure we all want to be fair to the witness and the department. I suggest we had better ask definite questions and get definite answers. I think it would be better to give them an opportunity to provide exact answers. I think that would be fair.

Mr. FULTON: I have a number of questions I would like to ask if we have finished with the answers.

The CHAIRMAN: I think we have a number of answers to questions which the witness is now ready to give.

Mr. HARKNESS: There is one other question I would like to ask about this fifty per cent business. I take it that applies in the army as a whole, but not to particular units. If there was a particular unit which was able to recruit its full complement of officers and N.C.O.'s, and was able to get, let us say, 75 per cent of its normal peace-time establishment; you did not, after they got up to 50 per cent of their men, say to them: You cannot recruit any more—A. This was not a limitation but an objective; and if any unit could exceed these figures it was heartily welcomed.

Mr. HARKNESS: That is the point I wanted to bring out.

By Mr. Robinson:

Q. Was there not a limitation of pay?—A. There was a limitation of pay to actual establishment, the unit establishment, but not on this basis of 100 per cent of officers, N.C.O.'s, and warrant officers, and 50 per cent men.

Q. I understood a unit would be given instructions that it could only take to camp so many men and pay so many men at summer camps; and if they recruited over that number, they had difficulty with the pay arrangements.—A. I think I am safe in saying there were very, very few, if any, instances where a unit wanted to take more men to camp than there was pay for them.

Q. I understand that.

By Mr. Fleming:

Q. Were there any?—A. None so far as I know. Some units may have assumed that they could not take more, and may have turned some away. Others might not have interpreted the instructions correctly; but it would certainly be against the philosophy of the services.

By Mr. Harkness:

Q. It comes down to this, that from the over-all point of view, as far as the reserve army was concerned, there was this limitation of 90,000.—A. There was a limitation of 90,000?

Q. Yes, but in actual practice, from the actual practical point of view, any unit which could recruit up to its full peace-time establishment, was encouraged to do so, and did so.—A. That is correct.

Q. So, from a practical point of view there was no limitation.—A. Well, from a practical point of view this limitation did not operate to restrict the units coming up to their establishment.

The CHAIRMAN: Have you any further answers?

The WITNESS: "The strength of the UNTD, COTC, and UATP for the same three years."

Again, I have not had an opportunity to have this material duplicated, so I shall read it. I think Mr. Fleming asked this question:

1947-48, for the UNTD, which means University Naval Training Division, 1947-48, 992; then 937; and 1,150. The COTC which means Canadian Officers Training Corps, 1947-48, 1,393; then 1,583; and 1,838. Then the UATP which means University Air Training Plan, 1947-48, 40; then 236; and 837.

The totals are: 2,425; 2,756; and 3,825.

The periods authorized for local training, camp training in 1949-50 were:

For the navy, 32 drill nights plus 14 days per year in a ship or other permanent naval establishment.

For the army, 30 days, including camp, plus an additional 15 days training for certain officers, N.C.O.'s and specialists. And for the air force, 65 days, including 15 at camp.

I have in respect to the next question a document showing the number of officers and other ranks by corps of the Canadian Army Reserve Force who attended camp, and above this is "Allotment of training time reserve force—1950." Perhaps the clerk of the committee will distribute this document which will be filed as appendix B.

(See appendix B)

While this is being distributed as appendix B, I was also asked for the average length of service of men in the reserve force as of the 31st of March, 1950. We can get this from the machine records, and it is being produced for the navy and for the air force. But it will be difficult in the case of the army in that we will have to go out to the commands again. However, if the committee wishes this information to be sought in the case of the army, the average length of service in the reserve army, it will be sought from the commands.

By Mr. Fleming:

Q. I think it would be interesting information in the light of the evidence at the last meeting. It is just a question of how much work is going to be involved in gathering the information. Would you say that it looked to be a big task?—A. I think it would involve, I do not know how many man hours.

Q. Could we just leave it for consideration, Mr. Chairman? I have asked the question and I can probably let you know about it at a later meeting.

The CHAIRMAN: About what?

Mr. FLEMING: If I am prepared to ask that the time be spent in gathering the information.

The CHAIRMAN: Does that cover the different questions which have been asked?

The WITNESS: Yes. I was going to say with respect to appendix B that this paper has been done quite rapidly since last Tuesday; and in sub-paragraph B there is a reference which reads: "See sub-para. (e)." But there is no sub-para. (e). The reason those words appear is that this document was copied from a policy paper. Those words should be elided. And again, in sub-para. (c), in the second and third lines it reads: "see sub-para. (e)" and that too should be elided.

At the bottom of the sheet there is given the "Camp Attendance Reserve Force, by corps in the summer of 1950."

By Mr. Harkness:

Q. Have you figures with you which you could give to us to add to this as to the number of regiments in each of these corps, particularly the armoured, artillery, and infantry? I mean the number of regiments we have in the reserve army in each corps?—A. By corps?

Q. Yes. I think the minister said yesterday there were 60 infantry battalions at least; and I would like to have the figures for the armoured and the artillery and any others which are equivalent.—A. The number of units by corps?

Q. Yes.—A. Yes.

Q. The thing that struck me was that the number of infantry men who trained totalled 3,981, while the total artillery was 3,587 which was nearly as many. So I was wondering whether there were as many or nearly as many artillery regiments as there were infantry battalions, and so forth.—A. I shall get you those figures, Mr. Harkness.

By Mr. Fleming:

Q. I do not know whether this purports to be a full answer to my question. I do not think it covers nearly as much ground as I did in my question.

I am looking now at page 285 of the "Minutes of Proceedings and Evidence"; and I read as follows:

Mr. FLEMING: I have several questions. How many officers and other ranks, separately, in branches of the reserve army were authorized to train at all summer camps in the summer of 1949-50?

First of all, I asked for the number who were authorized to train. And then, over the page, on page 286, on line 7 I read:

Mr. FLEMING: And my second question is: How many actually went, that is, again, broken down as between officers and other ranks. And then a little further down, on line 14, I read:

By Mr. Fleming:

Q. And my third question is: How many units of various kinds carried out competitive unit training at the reserve army camps?

And then the chairman limited the answer to one summer camp. Appendix "B" shows only the actual attendance. I would like to know concerning the officers and other ranks who were authorized to train, and who attended the summer camps for training.—A. The number authorized, as I think I mentioned some time ago, would be the total number desiring to go.

By Mr. Harkness:

Q. That is, the total number on the rolls?—A. The total number on the rolls. If a unit could go to camp with its full establishment, it would be authorized to go with that full establishment.

By Mr. Fleming:

Q. Well, your reserve army strength at this period was, in round figures, 43,000.—A. That is correct.

Q. All of whom would be authorized to take summer camp training. But you had only 11,241 officers and other ranks who attended; so you had approximately 25 per cent strength taking summer camps; that is, the over-all for the entire reserve army?—A. That is correct.

Q. About 25 per cent?—A. About 25 per cent.

Q. And some of those officers and other ranks would be there, I take it, for only a part of the authorized period. There are always some who can go for one week but not for the next week.—A. There are instances where both officers and other ranks do not attend the full period of the camp.

Q. And the figure you have given here indicates the number who attended for either all or a part of the period allotted for camp training?—A. That is correct.

Q. So, in terms of the total period authorized for camp, the results might well show that less than 25 per cent over-all strength were at camp at any one time.—A. That is technically correct, but I think the implication is a little unfair, that it is the practice of reserve personnel attending camp only to go for part of the training.

Q. No, not a practice; but it is a situation you are always running into, because some men cannot go for the whole period, and the same applies to officers.—A. It is the exception rather than the rule.

Q. I am not suggesting it is the rule. It is a situation I am sure every reserve unit is running into not at all infrequently. It is a problem every reserve army commanding officer faces. We may take it then the maximum strength is about 25 per cent of the number on enrolled strength?—A. The attendance at camp was roughly 25 per cent of the enrolled strength.

Q. Would the witness bring the answer to my third question?—A. Yes, I apologize for not having that. My notes were not quite complete.

Q. Yes, I appreciate that you are trying to answer questions at the same time as you are taking down notes, but it appears at page 286.

Mr. FULTON: I would like to ask some questions possibly for answers next week. I want to go back to the breakdown which Mr. Drury gave us on recruiting expenses paid to various publicity agencies. In going through the detail of the public accounts report starting at page N-55, Mr. Drury—

The CHAIRMAN: Just a moment, I will get a copy so the witness may have it in front of him. It is on page 261?

By Mr. Fulton:

Q. I am afraid I have not the number in the printed report. I find two or three other payments to publicity agencies which you have not listed and I am just wondering if you would mind checking to be sure they are not to be included in the table. On page N-55 there is shown Associated Screen News, Montreal, \$52,285.95.—A. Yes, I mentioned that once before. We spent money for films for training or educational purposes and which were not classified as recruiting expenses.

Q. Are you satisfied that the money paid to that company was for training films—if so I am satisfied too?—A. I will look into it and if I am not satisfied I will let you know.

Q. Then on page N-61, Metropolitan Broadcasting Service Limited, Toronto, \$29,173.24?—A. Yes.

Q. And on page N-61 also, the National Association of Broadcasters, Washington, D.C., \$13,230.

The CHAIRMAN: National what?

Mr. FULTON: National Association of Broadcasters, Washington, D.C., \$13,230? If that was not for recruiting, I wonder if you would tell us what it was for.

The WITNESS: I recall this item. The National Association of Broadcasters were the owners of a building on "N" street, I think, in which the joint military staff in Washington was housed, and this is a payment in relation to rental of the building and it has nothing to do with broadcasting at all.

Mr. FULTON: The others may be the same, but if you can get information I will appreciate it. Next is not in connection with publicity or recruiting expenses but I am afraid it will be quite a long question. I thought of getting it written out and then I thought that would not be fair because I would be asking a question to which some members might object and the only way I can do it will be by reference to the items on these pages.

I wonder, Mr. Drury, if you would get information as to the articles purchased from the suppliers listed and I want to know what was actually purchased from these companies whose names I will give you.

The CHAIRMAN: Just for the purposes of the record has that anything to do with one of the items we have taken—I have no objection.

Mr. FULTON: No, it has not.

The CHAIRMAN: Would it not be better to take that at the next meeting or the one after when I hope we will get into figures and break down this book with a certain amount of practicability. You might put the question now, but to start digging here and there in the book without any order would not be fair to the members. I think that once we have finished with these general questions, which we have listened to for seven or eight meetings, we might start at the beginning of the book and look into the \$384 millions on page N-5 and get down to it in some sort of orderly fashion.

If each member goes haphazardly here and there it will not be fair to the other members. You might put your question as notice now and when we come to this type of expenditure the answer will be ready to be handed in. That is just my suggestion for being fair to all of the members. Once we get through with the witness on the general questioning we might get down to the actual expenditures on page N-5 and break those amounts down into details on the pages that follow. If you put your question now the answer would be ready then. On that basis I have no objection.

Mr. FULTON: My questions are in respect of items from suppliers who received \$10,000 or over: Starting at page N-55 there are quite a number. First, The Ahearn and Soper Company Limited, Ottawa—I think the quickest way would be for Mr. Drury to put a tick beside them.

The CHAIRMAN: It takes a few seconds to find the names.

Mr. FULTON: The Ahearn and Soper Company Limited, Ottawa, \$13,000. If I may just interject here there are a number of American suppliers listed and the total amount paid would be considerable. I wonder, when the witness answers the question, whether he would mind putting the American suppliers together in one section of the report.

Next is Air Industries Incorporated, Arlington, Virginia, \$23,000.

The CHAIRMAN: Aircraft Industries—

Mr. FULTON: No, Air Industries Incorporated. Next is Aircraft Engine & Parts Corporation, New York.

The CHAIRMAN: It would save the time of reading if you were to say "all American firms" and then we could get the report. We might, if that is what you are trying to find out, just have the general question asking for the details of whatever has been bought from American firms. It would save time if you did not mention specifically now each firm but just ask the general question of the details of items concerning all the American firms.

Mr. FULTON: I think I will see if I cannot have a list typed out and have sufficient copies for circulation to all members.

The CHAIRMAN: If you give your list to the witness he could have it mimeographed with the answers and it will save you the trouble of preparing copies.

Mr. FULTON: Well, if the committee has no objection, and as it has been suggested by another member, perhaps I could have this list typed out and circulated at the next meeting. I will give a copy to Mr. Drury if no other member has any objection to it.

The CHAIRMAN: I have no objection to that.

Mr. FULTON: There is one other question I would like in particular and that is purchases from Levy Auto Parts Company Limited, Toronto.

The CHAIRMAN: Do I understand that you want the details for all American companies?

Mr. FULTON: Yes, and this is in addition.

Mr. BENEDICKSON: He is going to make a list.

Mr. FULTON: I would like to ask for the details of purchases from Levy Auto Parts Company Limited, Toronto.

The CHAIRMAN: What page is that on?

Mr. FULTON: N-60. The total is \$236,167.61. What items were purchased that were previously sold to that company as surplus war assets, and for what price?

The CHAIRMAN: Now we are getting down to figures.

The WITNESS: This will involve a certain amount of inter-departmental consultation in that Crown Assets Disposal Corporation gets rid of these things and Canadian Commercial Corporation bought them back.

Mr. FULTON: Could you get them sorted one against the other—what they were sold for and what they were bought for when they were repurchased?

The CHAIRMAN: Not necessarily for the next meeting but as early as possible?

Mr. FULTON: Yes.

The CHAIRMAN: If there are no further questions the meeting stands adjourned until Tuesday next.

The committee adjourned to meet again Tuesday, May 15, 1951 at 11.00 a.m.

APPENDIX "A"

STRENGTHS

Reserve Forces

	Navy	Army (NPAM)	Total
1921 .....	...	50,043	50,043
1922 .....	...	54,951	54,951
1923 .....	...	53,317	53,317
1924	717	50,508	51,225
1925	999	49,135	50,134

Prepared by:
ND Pers Stats
RAC/7624
10 May 51

APPENDIX "B"

ALLOTMENT OF TRAINING TIME CANADIAN ARMY RESERVE FORCE—1950

- The allotment of training time was as detailed hereunder:
- (a) A training period of 30 days is authorized for all ranks.
 - (b) Of the 30 days authorized in sub-para (a) above, 10 days may be spent at annual camps by 15,000 all ranks.
 - (c) An additional 15 days training is authorized for 29,600 all ranks divided proportionately among Commands. This period is specifically allotted for the training of officers, NCOs and selected other ranks, i.e., tradesmen and key specialists.
 - (d) The following training may be conducted in addition to that authorized above subject to personal approval by Officers Commanding Commands. Authority for additional training may be delegated to Area Commanders personally. Pay for this training must be found from within Command allotments for 1950-51 which is based on that provided for training in sub-paras (a) and (c) above:
 - (i) attendance at Active Force Schools of Instruction.
 - (ii) attendance at or participation in special training, demonstrations and exercises.
 - (iii) attendance or instructing at courses conducted at local headquarters.
 - (iv) administrative work in furtherance of unit training.

CAMP ATTENDANCE RESERVE FORCE 1950

	Offrs	Ors	Total
RCAC	339	1,068	1,407
RCA	920	2,667	3,587
RCE	46	353	399
RC Sigs	70	275	345
RCIC	912	3,069	3,981
RCASC	109	448	557
RCAMC	79	313	392
RCOC	30	94	124
RCEME	30	229	259
RCDC	5	1	6
C Pro C	12	81	93
C Int C	32	48	80
RCA CH C	11	....	11
Total	2,595	8,646	11,241

ADDENDUM

QUESTION ASKED BY MR. FULTON OF THE DEPUTY MINISTER OF
NATIONAL DEFENCE IN PUBLIC ACCOUNTS COMMITTEE

What was the nature of the materials, equipment, manufacturing rights, service, etc., purchased from the following persons or corporations as shown at pages N-55 to N-65 of the Public Accounts for the fiscal year 1949-50?

A. In the United States:

Air Carrier Service Corporation, Washington, D.C.....	\$ 12,268.43
Air Industries Inc., Arlington, Va.....	23,269.55
Aircraft Engine and Parts Corporation, New York, N.Y.....	46,870.00
American Electroneering Co., Los Angeles, Cal.	83,832.94
American Instrument Co. Inc., Silver Spring, Md.....	10,877.81
Arrow Sales Incorporated, Chicago, Ill.....	41,256.59
The B.G. Export Corporation, New York, N.Y.	19,983.73
Electric Motors Corporation, Indianapolis.....	14,250.00
J. E. Fouchaux Company, New York.....	162,385.73
G. & M. Equipment Co., North Hollywood.....	28,851.03
Gleason Works, Rochester.....	10,827.30
Graflex Inc., Rochester.....	30,516.25
Jack & Heintz Precision Industries Inc., Cleveland.....	62,585.10
P. R. Mallory & Co. Inc., Indianapolis.....	19,072.12
McElroy Manufacturing Corporation, New York.....	34,934.35
National Association of Broadcasters, Washington, D.C.....	13,230.00
North American Aviation Inc., Los Angeles.....	342,313.07
Northern Electric Equipment Co., Toledo.....	11,063.25
Northern Radio Company Incorporated, New York.....	96,180.73
Clarence E. Page, Oklahoma City.....	26,506.66
Presto Recording Corporation, Hackensack, N.J.....	59,990.13
Radio Ham Shack Inc., New York.....	18,284.68
Scott Testers Inc., Providence, R.I.....	10,952.04
Southland Aero Supply Company, Norfolk, Va.....	54,980.04
Sperry Gyroscope Company, Long Island.....	92,959.77
Superior Air Products Co., Newark, N.J.....	15,016.00
The Technical Materiel Corporation, New York.....	22,746.63
Texas Engineering & Manufacturing Co., Dallas, Texas.....	15,562.54
Thompson Products Inc., Cleveland.....	37,272.45
United States Steel Export Company, New York.....	40,794.55
United States Treasury Department, Washington, D.C.....	567,826.62
Willys-Overland Motors Inc., Toledo.....	190,956.12

B. In Canada and Elsewhere:

The Ahearn & Soper Co. Ltd., Ottawa.....	13,194.91
Associated Screen News Ltd., Montreal.....	52,285.95
Ross Baker Motors Ltd., Vancouver.....	42,046.42
The Berec Battery Export Co. Ltd., London, England.....	12,427.80
Department of National Revenue.....	866,551.41
Royal Canadian Mounted Police.....	71,746.02
Canadian Pratt & Whitney Aircraft Co. Ltd., Montreal.....	1,113,687.92
Canadian Shipping Brokers Limited, London, England.....	163,754.76
Canadian Wm. A. Rogers Ltd., Toronto.....	22,787.53
The Foundation Company of Canada Limited, Montreal.....	4,795,708.41
Gilbert & Morrison Travel Agency, Ottawa.....	27,298.64
Holborn Trust Company Limited, London, England.....	18,578.23
Horne & Pitfield Ltd., Calgary.....	33,005.20
Hudson's Hope Co. Sales, Fort. St. John, B.C.....	111,947.03
Johnston Motor Co. Limited, Vancouver.....	31,166.05
Levitt-Safety Limited, Toronto.....	45,669.40
Levy Auto Parts Company Limited, Toronto.....	236,167.61
Metropolitan Broadcasting Service Limited, Toronto.....	29,173.24
Moffats Ltd., Weston, Ontario.....	797,753.93
Mount Enterprise Limited, Montreal.....	688,346.15
Seaboard Advertising Co. Ltd., Vancouver.....	18,973.24
Tree Surgery Co. Ltd., Montreal.....	16,729.41

C. In the case of Levy Auto Parts Company, Limited give a break-down showing groups or classifications of items purchased and total value of group or classification, purchase price of each group or classification or single article where only one of a type is involved, which of the said articles, groups or classifications were sold initially to the said company as surplus war assets and the price for which the same were so sold.

Public Accounts Standing Order

SESSION 1951

HOUSE OF COMMONS

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STANDING COMMITTEE

ON

PUBLIC ACCOUNTS

CHAIRMAN—Mr. L. PHILIPPE PICARD

MINUTES OF PROCEEDINGS AND EVIDENCE
No. 13

TUESDAY, MAY 15, 1951

WITNESS:

Mr. C. M. Drury, C.B.E., D.S.O., E.D., Deputy Minister of National
Defence.

OTTAWA
EDMOND CLOUTIER, C.M.G., O.A., D.S.P.
PRINTER TO THE KING'S MOST EXCELLENT MAJESTY
CONTROLLER OF STATIONERY
1951

ORDER OF REFERENCE

FRIDAY, May 11, 1951.

Ordered,—That the name of Mr. Gibson be substituted for that of Mr. Cruickshank on the said Committee.

Attest.

LEON J. RAYMOND,
Clerk of the House.

MINUTES OF PROCEEDINGS

HOUSE OF COMMONS, Room 430,

TUESDAY, May 15, 1951.

The Standing Committee on Public Accounts met at 11:00 o'clock a.m. The Chairman, Mr. L. Philippe Picard, presided.

Members present: Messrs. Ashbourne, Benidickson, Beyerstein, Blue, Boivin, Brisson, Browne (*St. John's West*), Campney, Cauchon, Croll, Fleming, Fraser, Fulton, Helme, Kirk (*Digby-Yarmouth*), Macdonnell (*Greenwood*), Major, Picard, Richard (*Gloucester*), Richard (*Ottawa East*), Riley, Robinson, Sinclair, Thatcher, Weaver, Wright.

In attendance: Mr. C. M. Drury, C.B.E., D.S.O., E.D., Deputy Minister of National Defence; Mr. A. Ross, Associate Deputy Minister.

The Committee resumed consideration of the public accounts relative to the Department of National Defence for the fiscal year ended March 31, 1950.

Mr. Drury's examination was resumed. Mr. Ross, assisting the witness, gave certain precisions on specific matters arising out of Mr. Drury's examination.

And the examination of Mr. Drury still continuing; the said examination was adjourned to the next meeting.

At 12:50 o'clock p.m., the Committee adjourned to meet again at 4:00 o'clock p.m., Wednesday, May 16.

ANTOINE CHASSÉ,
Clerk of the Committee.

MINUTES OF EVIDENCE

HOUSE OF COMMONS,
MAY 15, 1951.

The Standing Committee on Public Accounts met this day at 11.00 a.m. The Chairman, Mr. L. Philippe Picard, presided.

The CHAIRMAN: Gentlemen, we have a quorum.

Mr. C. M. Drury, C.B.E., D.S.O., E.D., Deputy Minister of National Defence, called:

The CHAIRMAN: Before we start, Mr. Drury has a correction to make with respect to a statement he made last week.

The WITNESS: Mr. Chairman, at the last meeting I stated that the original policy in respect of reserve force training had been to count two days' local training for one day's pay and that this had been changed to three days' training to count for one day's pay. I was wrong. It has been and still is two days' local training to count for one day's pay—I should really say two nights' local training.

Any parade—any morning, afternoon, or evening drill parade counts as half a day. Therefore, two such parades will count for one full day's pay. If the local unit has a local exercise or a local camp at which any member of the reserve force is out for a morning and afternoon, or an afternoon and evening, those two periods will count for one full day's pay.

I have not yet got the information regarding the balance of the questions asked, Mr. Chairman, as it is still being dug out.

The CHAIRMAN: Now, gentlemen, where do we start?

Mr. FLEMING: Just to clarify that, an evening on a weekend scheme or anything like that would never count—one could never get more than one day's pay out of a day in reserve training?

The WITNESS: That is correct.

The CHAIRMAN: Mr. Fulton has circulated a list of firms to the members.

Mr. FULTON: Yes.

The CHAIRMAN: I wonder if we are ready for that or is it too early to proceed?

Mr. CROLL: Let me direct Mr. Drury's attention to page N-7 of the book.

The WITNESS: N-7?

Mr. CROLL: "Procurement of tank spares from the government of the United States of America"—a little way down the page, just below the figures.

The WITNESS: Yes, sir.

Mr. CROLL: Now, there is an explanation here. Can you explain to us why this was necessary?

Mr. THATCHER: Excuse me, just before you start on that, Mr. Chairman, are you going to go through this book?

Mr. CROLL: Have you something before this?

Mr. THATCHER: Not particularly, but are you going to call each item?

Mr. CROLL: Well do you want to do it that way? I will agree.

Mr. THATCHER: Well, starting with item 1—

The CHAIRMAN: First of all there is no item 1 but we have page N-5 if we want to start on it now. I am quite enthusiastic that we should get down to our own work—"appropriations and expenditures" which we have on page N-5, which is the summary of the \$387 million.

Up to the heading "demobilization and reconversion" there are only \$14 million covered. That amount covers grants to military associations, battlefield memorials, and things like that; pensions to certain persons, civil pensions and so on; the Militia Pension Act and things given under the Militia Pension Act. I did not think there would be anything contentious there. If you want to go into that, all right, but I think the main item we are going into is demobilization and reconversion on page N-5, and the details on page N-6 and the following pages.

I wonder if it would not be fair to start on the top of page N-6, with the first item, "departmental administration". A little further on would be "army services", "naval services", and "air services", which would refer us to the later pages in the book.

I wonder if the members have any particular questions on the page so far? I do not think there are any as to whether we grant pensions to so and so, or that so much was given in payment under the Militia Pension Act. I do not think there is anything contentious on that. It has all been ruled on by commissions which have studied the cases.

The real meat of the matter is the amount for demobilization and reconversion, which includes the whole pay for the army and so on.

Mr. THATCHER: Mr. Chairman, very respectfully, I think it will only take a minute if you will start on N-5 and let Mr. Drury explain.

The CHAIRMAN: If the committee wishes, but we are losing a lot of time. If the committee wishes, however, let us start at N-5.

Mr. FLEMING: May I ask a preliminary question? I do not know whether Mr. Croll's enquiry related to something that was capable of an immediate answer or whether it was something that would require some digging and a return being made later. If that is so I think it should be put on the record.

Mr. CROLL: When we get to it. If Mr. Drury is not able to give an answer he can procure it for me.

Mr. FLEMING: It is just a few items away.

The CHAIRMAN: Well, if you want to inquire why the Minister of National Defence received \$12,000 for salary and motor car allowance you may go ahead and ask it.

Mr. BROWNE: May we ask why the pension to Robert Allen was increased from \$192.50 to \$193?

The CHAIRMAN: Is that to illustrate my point that we should skip this?

Mr. BROWNE: I was just wondering what it was. It may be a very old pension that should be increased more than that.

The CHAIRMAN: \$193. as against \$384 million.

Well, gentlemen, what shall we decide? Do we have any questions on N-5?

Mr. BROWNE: I am serious about that, Mr. Chairman?

The CHAIRMAN: Yes, but it will come in due course. You are on the 12th line.

Mr. THATCHER: I would move, Mr. Chairman, that you call each line and see if there are any questions.

Mr. FLEMING: Are we going to work at all from the pages of the summary or are you going to ignore that?

The CHAIRMAN: My personal idea was to ignore the summary and to start with the details. I thought the first part was non-controversial so I imagined we would start with page N-6 and call the pages that follow.

"N-13, Minister of National Defence—salary and motor car allowance, \$12,000."

Mr. FLEMING: I was going to ask a question on N-4.

The CHAIRMAN: Then let us go back to N-4. We might enquire then on N-2, the summary, if you feel there is anything to be gained by going back there. I wanted to get to the details as fast as I could to give you meat for controversy.

Mr. FLEMING: There is never controversy, Mr. Chairman.

Mr. CROLL: Not with Mr. Fleming.

Mr. FLEMING: We are men of peace.

The CHAIRMAN: What is the proposal? Do you want to start at N-2, right at the beginning—Department of National Defence, Summary?

Mr. FULTON: Let us do it that way; it will save time.

The CHAIRMAN: Very well, if you feel it will save time:

Current year's transactions affecting the net debt accounts of Canada.

Carried.

Transactions as reflected in the open accounts of Canada.

Carried.

Page N-3. "Revenues—comparative summary."

Mr. SINCLAIR: There is just one thing I would like to ask here. I notice there are no cadet fees under air service—that is at the bottom of page N-3 and at the top of page N-4.

The CHAIRMAN: We are still on N-3.

Mr. SINCLAIR: It is all the one item.

The CHAIRMAN: Oh, yes.

Mr. SINCLAIR: Under "army services" there is an item for cadets' fees, \$17,100; under "naval services" there is an item for cadet's fees, \$62,000; but I do not see any cadet's fees paid by the air force.

The WITNESS: There are no cadet fees as such paid by the air force.

Mr. SINCLAIR: But this is Royal Roads—R.M.C.

The WITNESS: The reason for that is the financial administration of the funds to finance Royal Military College are found out of allocations of money to the army and the funds for Royal Roads are found out of moneys allocated to the navy.

By Mr. Fulton:

Q. I see "settlement by Trans-Canada Air Lines re aircraft damaged while on loan". Did you overpay T.C.A.? You obviously recovered something. What was the reason for that recovery?—A. We loaned a North Star to Canadair.

Q. That is right?—A. And in the course of their use of it they damaged it. It was repaired by us and they refunded the cost of that repair.

By Mr. Fleming:

Q. May I ask a question just on that point. Where Transport Command, R.C.A.F., provides services for government departments—we will say transporting ministers and senior personnel anywhere, what is the accounting as

between the two departments concerned?—A. The normal policy is, where special aircraft are provided, to charge to the department for which service is provided the out of pocket expenses.

Q. Just the out of pocket expenses?—A. Yes.

Q. What do the out of pocket expenses cover?—A. Fuel, living expenses of the crew, cost of repairs and servicing where it is carried on in establishments other than R.C.A.F.

Q. They do not pay any portion of the pay and allowances of the personnel on the aircraft?—A. No.

Q. Nothing toward overhead?—A. No. The reason for that is that most of these flights are regarded as training operations for Transport Command in any event.

Q. Is there any record kept of the service of that nature provided by your department for other departments?—A. As a sort of complete record?

Q. Yes?—A. No. We have not got it tabulated that way or an account cast up that way.

Q. In what form is it kept on the books of your department?—A. It is included in the operating expenses of Transport Command.

Q. Is there any record which indicates the extent to which other departments have called on your department for that service, and the extent of the service rendered by your department?—A. Well there are a considerable number on file—a considerable number of requests for this type of service, some of which are denied for one reason or another, and some of which are acceded to. Sometimes, when the other government department finds what it is going to cost they decide they do not want it. Other requests are acceded to—and accepted.

The CHAIRMAN: Some people say they cannot hear you.

The WITNESS: I am sorry. There is no record as such of all requests and the action taken on them—a running record. However, there are requests scattered through the files.

By Mr. Fleming:

Q. Would you have a record of those services actually rendered?—A. Actually performed.

Q. Would it be a big task to prepare a statement of those for the committee?—A. No, we could do that. It would involve work but it is not an impossible task.

Mr. CROLL: Well, Mr. Drury, on this, when you are compiling the statement would you indicate to us the requests that were not acceded to, as well as those that were acceded to?

The WITNESS: We can, Mr. Croll.

Mr. CROLL: Put it in the same return.

By Mr. Fleming:

Q. What would be some samples of the reasons why you would reject requests for such services coming from other departments?—A. Principally lack of availability of aircraft.

Q. Where you have aircraft available you try to comply with such requests from other departments?—A. Yes, within the framework of a general exception that in so far as possible it is desirable for anyone and everyone, other than the services, to make use of commercial transport if it is available.

By Mr. Macdonnell:

Q. Why is that? What I mean is why should you use commercial transport if it is available instead of other transport if it is available?—A. There is objection, quite naturally, and this is perhaps something to which the Department

of Transport should speak rather than myself. There is objection on the part of commercial carriers to the services getting into the business of air transport in competition with them. It does not seem fair in some instances, that they should establish all the facilities necessary to provide a regular service and then have another air transporter come in and move their traffic for them.

Q. That would include T.C.A.?—A. T.C.A., C.P.A., and other air lines.

By Mr. Fleming:

Q. I suppose that is quite natural—T.C.A. does get revenue out of transporting government personnel, as they do out of non-government personnel?—A. That is correct.

Q. How many persons are there within the Department of National Defence who are entitled to air transport on official business—that is air transport provided by Air Transport Command, R.C.A.F.?—A. Well, in so far as the regular runs are concerned, anyone travelling on official business can travel that way.

Mr. CROLL: What do you mean by regular runs? Explain "regular runs", will you?

The WITNESS: The R.C.A.F. operates a regular run between Montreal and Goose Bay for their own purposes. There is what is called a scheduled run.

Mr. FLEMING: Is that daily?

The WITNESS: It is not daily, no. It is nothing like daily. I am not sure of the frequency, I would have to find that out. This aircraft carries freight, mail, and personnel to and from Goose Bay. When an official or an officer of the department has to go to Goose Bay he is entitled to travel on this plane or to be authorized to travel on this plane if there is space.

Mr. CROLL: Is that the only one you have?

The WITNESS: No.

Mr. FULTON: You have a run from Edmonton to Whitehorse?

The WITNESS: I do not know all the others but I do know there is one across to Edmonton from Montreal, and there is also a scheduled run up to Whitehorse.

By Mr. Fleming:

Q. Well, take the case of those scheduled runs. What officials of the department or officers of the services are entitled to use that service? And, then will you tell us about the right to use R.C.A.F. transport in the case of non-scheduled services? Who are entitled to that privilege and on what basis?—A. In the case of the scheduled runs I think I have just explained that anyone who is travelling on duty is entitled to use it if there is space.

Q. Anybody where?—A. Anybody in the department.

Q. Anyone in the services?—A. I am including them. In the case of non-scheduled runs it is for ministerial decision in each case.

Q. In the report you bring in can you enlarge on that and give the committee some idea of the extent of the use that is made of R.C.A.F. transport services by officials of the department of personnel of the services—apart from the earlier request for particulars of the services of that nature provided for other government departments?

The CHAIRMAN: I have not said a word while all this has been going on but may I ask for the co-operation of members of the committee so that we may keep to items before us. We are on an item onw of revenue for air services. We will come to the other items just mentioned later. I let the question pass and I have no objection now, but I would ask the co-operation of all members. You will have time to ask the questions on other items when they are called.

At the moment, we are on the details of revenue for air services. We are now extending ourselves to details that can be found in the pages from N-16 on. I do not want to interrupt or to bother anybody at this moment but I wonder if we could not get the co-operation of members and try to keep to the agenda. We are on page N-4, revenue for air services, and in a few moments we will come to "appropriations and expenditures" and get the details.

Are there any further questions on page N-4.

Mr. FULTON: Yes. I see: "sales of photographs, \$69,000," under "air services." Does that include, Mr. Drury, work which the air force did for the department which was then Mines and Surveys, I think, or would those be sales of photographs to the trade?

The WITNESS: I might ask Mr. Ross.

The CHAIRMAN: Would you speak on that, Mr. Ross?

Mr. CAMPNEY: If we are going into expenditures perhaps Mr. Ross should be at the head table.

Mr. Ross: That represents photographs taken by the air force and sold to individuals or to departments or provincial governments, or to anyone who may wish them.

Mr. FULTON: Then the item "other services and fees", would be an item which would include any payment which you might receive from the Department of Mines and Surveys if they had commissioned or requested you to do an aerial survey.

Mr. Ross: Yes.

Mr. FLEMING: I would like to ask about the item "miscellaneous sales" \$185,000 odd. What type of sales are those?

Mr. CROLL: Mr. Chairman, we are now entering into the details.

The CHAIRMAN: We are on revenue.

Mr. CROLL: We are entering into details which Mr. Drury is not expected to have at his fingertips or in his head and I suggest that his departmental man who knows about it should sit alongside him for the purpose of briefing him.

The CHAIRMAN: I have no objection to that at all. Would you care to have Mr. Ross up here?

The WITNESS: I would.

The CHAIRMAN: Mr. Ross, would you come up to the table with your material, and would you give the reporter your full name and position?

Mr. Ross: I am Alex Ross, associate deputy minister, Department of National Defence.

The miscellaneous sales, Mr. Chairman, are payments made for the sale of meals, for the sale of swill, for the sale of kitchen by-products and other miscellaneous things.

The CHAIRMAN: Do they all relate to food?

Mr. Ross: No, there is the sale of meals and the sale of swill. The meals are meals sold to civilians.

Mr. FLEMING: But it is all food.

Mr. Ross: Yes.

The CHAIRMAN: Are there any further questions on page N-4?

By Mr. Thatcher:

Q. Mr. Chairman, this defence research board—what has that got to do with the National Research Council? Is it the same thing or a subsidiary or what?—A. No, it is neither the same thing nor a subsidiary.

The National Research Council is a council set up by a special Act and is responsible to the Minister of Trade and Commerce, the present chairman of the Council is Dr. C. J. Mackenzie. The Defence Research Board is a board set up originally by a special Act and now under the authority of the National Defence Act, and is responsible to the Minister of National Defence. They are both research organizations but, in the case of the Defence Research Board, there is special emphasis on research and development in connection with defence activities. The National Research Council covers the entire field of research.

Mr. THATCHER: Can you explain, Mr. Drury, what is this sale of materials and supplies, \$40,000?

Mr. FLEMING: \$50,000.

Mr. CROLL: \$40,000.

By Mr. Thatcher:

Q. \$40,000 odd?—A. Most of this represents the sale of meals at the experimental station operated by the Board at Suffield.

Q. Do you have many active service personnel engaged in this or are they mostly civilians?—A. They are mostly civilians in the Defence Research Board. There are no active service personnel employed as such by the Board. There are some of them seconded to Board—active service personnel who have special qualifications. The Board itself is a fairly large one, on which sit the three chiefs of staff.

Mr. MACDONNELL: How does it come to have quarters to rent?

The WITNESS: There is accommodation at certain establishments which we have rented out, particularly to contractors and contractors employees who are doing work for the Board.

Mr. MACDONNELL: It is property in the name of the Board.

The CHAIRMAN: May I ask where we find "CARDE" in this book? And what does that mean?

The WITNESS: Canadian Army Research and Development Establishment.

The CHAIRMAN: Where do we find it? Is it also a research branch or research department?

The WITNESS: It is one of the divisions or unit establishments of the Defence Research Board.

The CHAIRMAN: Are there any further questions on page N-4?

Mr. THATCHER: Yes. Mr. Drury, I wonder if you could tell us during this fiscal year what this Defence Research Board discovered or accomplished?

Mr. CROLL: Mr. Chairman—

The CHAIRMAN: We will come to their expenditures later on.

Mr. THATCHER: They spent \$20,000,000.

The CHAIRMAN: You mean in the year under review?

Mr. THATCHER: Yes, that is right. What work did they do? If you want to leave it until we come to N-45—

The CHAIRMAN: We are coming to their expenditures which will be found later on.

The WITNESS: The record of its activities was contained in the annual report of the department for the year ending March 31st, 1950, beginning at page 77.

Mr. CROLL: Good.

The CHAIRMAN: Are there any further questions on page N-4?

Mr. THATCHER: We will get the answer to that when we come to it. I shall wait until we come to page N-45.

By Mr. Fleming:

Q. I notice several items under "Air Services", the second item, for example, "refunds on contracts resulting from cost audit or re-negotiation, \$61,041.05". Are those wartime or post wartime contracts? In other words, is it a hold-over from the war years, or does this item arise in whole or in part out of contracts awarded in post war years?—A. I am pretty sure they cover both war contracts in re-negotiation as well as post war contracts.

Q. Are you in a position to indicate in general the situation in respect to wartime contracts, whether they have all been cleared up as to cost audit or re-negotiation, and also indicate what the position is with respect to post war contracts in that regard?

The CHAIRMAN: As far as air services are concerned.

By Mr. Fleming:

Q. Yes, it is much larger in the air service, for instance, than it is in the navy and in the case of the army. I do not see anything for the army there arising out of cost audit or re-negotiation.—A. I think it is pretty safe to say that the cost audit and re-negotiation of wartime contracts was, as of the date of this report, virtually complete.

Q. And what is the position with regard to post war contracts?—A. It is a recurring event.

Q. Apart from this last year or so, when the volume of wartime contracts has begun to rise again, could you give us some indication as to the trend of these re-negotiations, let us say, as to post war contracts?

The CHAIRMAN: Is this in the hands of the Canadian Commercial Corporation or of the Department itself?

The WITNESS: Re-negotiation is in the hands of the organization which made the contracts. In this case it would be, in almost every instance, the Canadian Commercial Corporation.

By Mr. Fleming:

Q. That would be with respect to the post war ones?—A. With respect to the post war ones, yes.

Q. Have you as a department anything to do with the re-negotiation such as supplying information to those who are re-negotiating, or do you simply receive the results of their efforts?—A. No. We participate in these re-negotiations and are aware of them, but we are not responsible for them.

The responsibility for the negotiation of the contract and for its re-negotiation lies in this case with the Department of Trade and Commerce.

Q. How many personnel of your department, if any, are assigned especially to the task of cost audit and re-negotiation of contracts?—A. The cost audit is carried out on behalf of the Department of Trade and Commerce by treasury officials and not by our people at all.

Q. And does the same apply to re-negotiation?—A. The same applies to re-negotiation. I am sorry; I am talking now about the cost audit. If there should be re-negotiation, not on an audit basis at all, it would not be done by treasury officials.

Q. Cost audit applies to all your cost plus contracts, whereas re-negotiation applies in certain special cases, to a type of contract entered into during the war in many cases. I gather then that while your department is consulted in negotiations, you have not any personnel who are charged with this kind of responsibility.—A. Re-negotiation, no.

Q. Or cost audit?—A. No.

By Mr. Macdonnell:

Q. In the case where it is not merely a question of cost audit, I presume you apply certain mathematical percentages and work it out in that way; whereas in other cases where it is a matter of re-negotiation, are you just absolutely at large, or are there any general principles which you follow? Or is it just a case of by guess or by God?—A. I would hesitate to enunciate a policy followed with respect to negotiation which is not a policy of the Department of Trade and Commerce.

Q. Yes; but you are aware of, I think, or in touch with the results?—A. With the results and also with the progress.

By Mr. Fleming:

Q. Do you have to pass approval on any settlement as a result of re-negotiation?—A. The final settlement we would, as we are the eventual paying authority.

Q. Does that come just to your top officials in the department?

The CHAIRMAN: Gentlemen, this has got into a private conversation between two members and the witness, and the people who are a bit far away cannot hear what is said. Do you mind speaking a little louder? You have a strong voice.

By Mr. Fleming:

Q. Yes, Mr. Chairman, I was asking about the persons in the department who deal with this matter. Do they give the approval of the department, in the case of re-negotiation? I assume the senior officials of the department only are the ones concerned with the decision.—A. Who gives the approval or who recommends the approval? There may well be in respect to details comparatively junior officials in the department who are concerned and have special knowledge.

Q. Does your department enter seriously into a review of the factors leading up to re-negotiation, or is it a perfunctory matter, giving departmental approval to what has been largely done by the Canadian Commercial Corporation?

By Mr. Macdonnell:

Q. How often do you have to over-rule the Right Hon. Mr. Howe?—A. All re-negotiations not based on cost audit have reasons of substance. It is primarily the responsibility of the Department of Trade and Commerce to negotiate the original contract, hence the responsibility for its re-negotiation on a more favourable basis rests essentially with them.

Now, I do not much like the expression “perfunctory”; but we do not, I agree, make a thorough investigation of all the circumstances connected with the re-negotiation of contracts. Our function is really, mainly the providing of information which would be of assistance to the Department of Trade and Commerce in effecting re-negotiation.

The CHAIRMAN: They were the responsible parties for the contract originally, so they are the responsible ones for seeing to the re-negotiation.

Mr. MACDONNELL: They are merely agents.

The CHAIRMAN: Yes, but they have authority under the Act to pass on the contracts and to re-negotiate them. I wonder if it is not a question which Mr. Fleming might allow to stand until we come to the Canadian Commercial Corporation people, since it is mainly their task, while the department just helps them with information and so on?

By Mr. Fleming:

Q. In how many cases has your department withheld approval of re-negotiations concluded on its behalf by the Canadian Commercial Corporation?—A. I do not know of any case where the Department of National Defence has refused to give approval to re-negotiation.

The CHAIRMAN: Are we through with N-4?

By Mr. Fleming:

Q. I want to ask a question about the rental of lands and buildings, Mr. Chairman.

Who in general sets the rents? What is the rule followed?—A. In most instances where buildings can be made available to lease for revenue, there is a call for tenders in respect to the particular building.

Q. You say "in most instances". Is there any reason why it is not done in all cases?—A. Well, I can think of instances where in certain localities there would be only one lessee who could be contemplated; a building that we might have, let us say, at Fort Nelson, or at some other isolated spot. There is only one person who would be interested in renting it. So there is not much purpose in calling for tenders.

Q. Those are isolated areas, I take it, you are referring to.—A. Yes.

Q. Now, what determines the amount of rent in a case where you do not call for tenders?—A. What we consider to be a fair and reasonable rental related in so far as possible to prevailing commercial practice.

Q. Obviously, as deputy minister, you cannot deal with these cases, so who is on the job locally, to advise you of what is a fair rent for the department to set? What rules are followed? Do they get any advice on these matters? Are there any rules laid down to be followed in these negotiations?—A. The authority to sign leases for buildings which we are able to lease has not been delegated to the field. Generally leases have to be approved and signed at Ottawa.

In the matter of advising as to what is a fair and reasonable rental, there are in the Department of National Defence officials who are full-time engaged on real estate transactions. They are continuously in touch with the Department of Public Works, with Defence Construction Limited, and with various realtors, real estate experts throughout the country, mostly in connection with the acquisition of properties or the leasing of properties for our use. This enables them to have a fair picture of what is a fair and reasonable rent.

Q. Does the same staff in the department which deals with properties which are being acquired, by rent or purchase, deal also with the leasing to other persons of properties owned by the department?—A. That is correct.

The CHAIRMAN: Are there any further questions with respect to page N-4? Now we shall pass on to page N-5 "Appropriations and expenditures."

Mr. FULTON: Could I make a suggestion? Since each one of these items is covered by details appearing on subsequent pages, could we not, in order to avoid duplication, start with page N-7?

The CHAIRMAN: That is what I suggested earlier.

Mr. FULTON: I am glad to agree with your suggestion, Mr. Chairman.

The CHAIRMAN: Some people objected and asked me to take up the items on page N-5 and read them all.

Mr. CROLL: Are we now on page N-7, Mr. Chairman?

The CHAIRMAN: I am quite willing.

Mr. THATCHER: All right.

The CHAIRMAN: Page N-7.

Mr. FLEMING: Are there any details on page N-6 beginning with the items under the heading "Demobilization and reconversion"? May I ask one question in general about these several items, such as item N-16? I can leave it until we get to page N-16 if you prefer, Mr. Chairman. I do not know whether they can be covered generally.

Mr. MACDONNELL: May I ask a question about item N-6, the difference between N-20 "Canadian army-general", and down again to the navy, where you have an item which is called, "General", as distinct from the items. Can any general description be given of that "General" item?

The CHAIRMAN: Don't you think we should wait until we get there?

Mr. MACDONNELL: I thought we could have a breakdown of these.

Mr. CROLL: It is all set out on page N-20, as well as on page N-30.

The CHAIRMAN: Between pages N-7 and N-16 we have general comments on many other questions.

Mr. MACDONNELL: All right then, Mr. Chairman.

The CHAIRMAN: Shall we pass on to page N-7 "Purchases of materials and supplies" under the heading of "General comments."

Mr. FRASER: You are now on page N-7?

The CHAIRMAN: Yes.

Mr. FRASER: What about that \$8 million for the purchase of equipment from the United States government? Is that in connection with the Alaska Highway?

The CHAIRMAN: That comes under "Advances—Purchases of equipment from the Government of the United States of America". It is the second item at the head of page N-7.

The WITNESS: I do not think this can be described as being solely related to the Alaska Highway.

By Mr. Fraser:

Q. Well, partly related, then?—A. Yes, it would include items of war equipment which we have purchased from the United States in no way related to the Alaska Highway.

You will see there is an item under the heading of "Naval"; there are three entries against the navy. These have no connection whatsoever with the Alaska Highway. These are items of military equipment purchased for the navy.

Q. The army purchased a lot of stuff up there, did they not?—A. A great deal of stuff up there.

The CHAIRMAN: Are we finished with item 2 "Advances"? Now we come to "Procurement of Tank Spares from the Government of the United States of America". We now come back to Mr. Croll's question.

By Mr. Croll:

Q. I think I asked Mr. Drury to explain that item. Were we not able to provide these parts ourselves from our own arsenal or wherever we had the tanks at that time?—A. It might be more helpful if the committee were to hear directly as to why these purchases had been made in the United States rather than in Canada, from representatives of the Department of Trade and Commerce.

Q. All right.—A. Our function is merely to indicate that we had a requirement for spare parts for our Sherman tanks, and that we would provide the funds for them to procure those spare parts. The decision as to where they should be procured and where they can be procured lies really with the Department of Trade and Commerce.

Q. All right.

The CHAIRMAN: The next item is "Procurement from the government of the United States of America under the Mutual Defence Assistance Act of 1949 (U.S.A.)."

Mr. BROWNE: Would it be proper to ask here if that has been used since March 31, 1950?

The CHAIRMAN: No, it would not.

Mr. BROWNE: Well, it is over a year ago.

The CHAIRMAN: Yes; but our authority, if I may repeat, extends only as far as the 31st of March, 1950.

Mr. FLEMING: That is the sort of question we always ask of the Auditor-General when we are on the report. It reveals something which is cut off in the middle of the 31st of March for billing or something of that kind. What has happened to it after the close of the fiscal year?

The CHAIRMAN: You mean: Has this policy been carried on?

Mr. BROWNE: Yes.

The CHAIRMAN: Very well. Has this policy been carried on, for procurement by you under the Mutual Defence Assistance Act?

The WITNESS: A letter of credit was issued in favour of the Secretary of State of the government of the United States of America.

We have in the interim, or since then, made arrangements with the United States which do not involve the use of that letter of credit; and they have amended their legislation in such a way as to permit them to undertake obligations on our account without the whole amount being liquidated before delivery in respect to those obligations falling due to the United States Government; so this letter of credit scheme is not now in use.

By Mr. Browne:

Q. It has been cancelled?—A. It has been cancelled.

By Mr. Thatcher:

Q. What was it originally intended for? Was it for aircraft engines?—A. The whole range of military equipment, principally what is known as government furnished property in connection with the manufacture of the F-86 Sabre.

Q. In view of the fact that we needed that material so badly, why did we not buy it? Was it not available down there?—A. We did not buy it in the sense that we did not get it off the shelf because it was not available. The general procedure is for us to request, through the Mutual Defence Assistance machinery, the United States government to undertake procurement in the United States of quite a substantial range of items.

The United States government itself arranges in its own name contracts with the various manufacturers concerned to manufacture this material for delivery to us.

Q. I see.—A. The reason it is done through the United States government rather than directly by us with the manufacturers is that a substantial proportion of this equipment is on the secret list, and United States law forbids the individual manufacturer from selling to a foreign government items which are on the secret list. So the United States government has undertaken to place contracts on our behalf in order to get this material delivered to us.

Mr. THATCHER: We can assume from then on that some portion of this F-86 was manufactured in Canada. Is that correct?

The WITNESS: Some elements of them will not; the engines, for instance, are wholly manufactured in the United States.

The CHAIRMAN: "Advances, United Kingdom government-British Admiralty." And then, "Other advance payments."

By Mr. Fulton:

Q. What is the advance payment to the Arctic Institute of North America? There are two items, 1946-47, and 1947-48. One is for \$25,000, and the other is for \$6,700. What service do they provide?—A. I am not too sure precisely what this was for. However, in 1946-47 the Arctic Institute did provide specialized services in the way of exposure tests and that kind of thing, of equipment, clothing, on our account. Precisely what this was related to I am not too sure. We can get this information, if you would be interested.

Q. I would be interested perhaps more in what it was for in these next years, and also in knowing whether this is a continuing process, whether they are continuing to render that service, or whether, to a greater extent, it is being taken over by our own Defence Research Council, by the army itself, which is conducting exercises under Arctic conditions. Are we still employing the Arctic Institute, or to some extent are we taking over this work ourselves?—A. Certainly the Services and the Defence Research Board themselves are assuming all the work in relation to the Arctic tests. However there may be occasion for making use of the services of the Arctic Institute in certain specified instances; but the extent to which this is done I shall have to find out.

By Mr. Croll:

Q. Is this Arctic Institute of North America an American or a Canadian concern?—A. North American.

Q. Yes?—A. It is both United States and Canadian.

Mr. FULTON: Where is its headquarters or head office? Do you know?

The WITNESS: I do not.

The CHAIRMAN: Are we through with "Advance payments"? Can we pass on to "Damage claims"?

Mr. FLEMING: I have a question with respect to "Other advance payments." In every case the statement is made that adjustment will be effected in 1950-51, or that recovery will be effected in 1950-51 on certain conditions; or that recovery is being made and so on in each case.

The CHAIRMAN: I think it would only be fair to the witness to ask him in detail how many?

Mr. FLEMING: I have been trying to save time, Mr. Chairman. For instance, in 1949-50 on page N-8, the first one down, it says: "This amount is still outstanding." Was it collected afterwards?

The WITNESS: I shall ask Mr. Ross to advise me.

Mr. FLEMING: I thought the chairman would ask them altogether.

The WITNESS: We shall produce a return showing the status of the items under the heading of 1949-50.

By Mr. Wright:

Q. I would like to ask Mr. Drury a question as to this type of expenditure. What is the custom in regard to advance payments? When you make an advance payment do you make a complete advance payment? Did you make a complete advance payment in the case of this British order to which I have referred? I notice you made an advance payment of \$117,761.96 to British Aeroplane Engine Ltd., under the authority of P.C. 1704 of April 7, 1949, for the purchase of aircraft engines and sea going power plants. In a case like that would you make a full advance or would you make a percentage advance, what

percentage of advance did you make to them?—A. That is a subject for negotiation by the Canadian Commercial Corporation. The amount of the advance varies from contract to contract and it is difficult to say as a policy that we advance the full amount of money required or a specific percentage of the amount of money required. In some instances more has to be advanced than in others.

Q. What rule do you follow in deciding the amount to be advanced?—A. Well, the rule, generally, is as little as possible.

Some Hon. MEMBERS: Good, good.

By Mr. Wright:

Q. That is a negotiation between the companies concerned and the Canadian Commercial Corporation?—A. That is correct.

Q. And you do not enter into that picture yourselves, that is done by the Canadian Commercial Corporation?—A. We do not enter into the negotiations. Generally speaking, the amount required to be advanced covers the cost of the materials which must be purchased and which the contracting manufacturer must have before the actual work of manufacturing the completed article can be started.

Mr. THATCHER: Why can't these people do their own financing?

The CHAIRMAN: Would you mind letting the witness complete his sentence?

Mr. THATCHER: Sorry.

The WITNESS: I was just about to say this form of government assistance is for financing firms to enable them to do what we ask them. In response to Mr. Thatcher's question, why don't we make them do their own financing; the answer is that the government like a number of other buyers has found that if they want to get what they need they have to follow the current commercial practice, and I am advised that the current commercial practice in relation to these, in most cases fairly specialized contracts with large firms involving a large investment in a special inventory, is that they will not undertake it unless they get some assistance in financing it.

Mr. WRIGHT: Can you give us what the total order was with regard to this item of \$117,761.96, as to what that is made up of?

The WITNESS: We would have to find that out for you.

Mr. WRIGHT: I presume you will have that in your statement, or you will have an inventory on that.

The CHAIRMAN: That will be produced as an answer at one of our next meetings.

Mr. WRIGHT: Would you give us the figure in each case?

The WITNESS: Yes.

Mr. MACDONNELL: I would like to ask a question following that. I would like to ask this. I take it that you satisfy yourself as to the substance and responsibility of those to whom these advances are made so that, in other words, you can assure us that we are not financing fly-by-night parties. I see that most of the names given here are fairly substantial firms; for instance, the Canadian Marconi Company, here, is a well known and very substantial firm. There is one here I do not know.

The WITNESS: I can say that the government assures itself that before the advances are made to these firms they are financially responsible and reliable. That is a very important consideration.

Mr. CROLL: Has that been your experience?

The WITNESS: That has been our experience.

Mr. FULTON: I would like to ask the witness with regard to a matter arising out of advances mainly to Canadair. I observe that in the year under review you made very substantial advances amounting to \$13 million, and most of this was, as I understand it, for the purpose of assisting them in tooling up, something which has been going on for some time now, to assist them in tooling up to produce the F-86. What steps do you take to ensure not only that they have advanced to the point at which they are going to give you progress reports as to what has been done but also that they are making the maximum possible steps to ensure this process will not take too long, it will not be extended over more time than is necessary? What is the measure of supervision you actually exercise?

The WITNESS: A report is required to be made by Canadair to the Canadian Commercial Corporation who in turn forward it on to us. This report is further verified by visits to the Canadair plant by representatives of the Department of Trade and Commerce and also by representatives of the R.C.A.F.; and in addition to visits of this sort they actually have in the plant a number of inspectors who are continuously inspecting the process of manufacture.

Mr. MACDONNELL: It seems to me we see constant evidence of duplication. It may be beneficent duplication between departments, but I fail to see why it is necessary for one department to scrutinize the supervision or inspection work of another department. It seems to me there is unnecessary duplication there. What do you think?

The CHAIRMAN: Do you mind wording that question in such a way that I will not have to rule it out?

Mr. MACDONNELL: Well, I want the witness to understand it; why is it necessary to have all this inspection work? There seems to be a lot of duplication there.

The CHAIRMAN: We don't want to get on to matters of policy. Your question would be acceptable if you asked the witness whether they have all these duplicated visits to better our control of expenditures.

Mr. MACDONNELL: I think I will let you word all my questions.

The CHAIRMAN: No, I don't mean it that way. It really is a question as to the basis on which these expenditures are made. That is quite fair.

The WITNESS: I do not think, Mr. Chairman, that there is too much duplication.

Mr. MACDONNELL: There is not too much?

The WITNESS: The interest of the air force inspectors in the case of Canadair is really twofold: one, to see that the manufacturing work which is being carried out is being done according to specifications and that the results will be up to the standard asked for and for this purpose they employ resident inspectors. Now, this inspection must be done by the department. The Department of National Defence inspect quality control, that is something which we feel should be under our control and not under the control of another department.

Mr. MACDONNELL: Well then, you have three bodies here, and I don't know that I have them all straight. You have the local inspector, you have your own department, and you have the inspector for the C.C.C. Just what is the work done by the local inspector? Who is he?

The WITNESS: The local inspector is an officer or official of the Department of National Defence.

By Mr. Fulton:

Q. And he stays there in the plant during all the time this article is being produced?—A. That is correct.

Q. And in addition to that you have your travelling inspectors for the department?—A. No. The travelling inspectors are supervisors of the staff of the inspection services and they must visit the various units.

Mr. MACDONNELL: Well then, there is more duplication than even I thought. I understand it better now. First of all, the people in your department, interest yourselves, and I think properly so, in seeing that the work is being done properly. Then, when it comes to carrying it out, as I understand it now, you have under yourself a man responsible to you to see that it is properly carried out.

The CHAIRMAN: No, they have to see that the work is being carried out properly and that is why they have these inspectors.

Mr. MACDONNELL: Oh well, that may be so, it just depends on how much piling up there is of one on top of another, as to how much of it you need to do. I would like to ask this further question if I may: whether the Department of National Defence does not think they could arrange to have this financing done through the Department of Finance and in that way get along without the C.C.C. altogether.

The CHAIRMAN: I do not think it is up to the witness to answer that. You might ask him whether a man from the defence department who would know better the operation of the plant should not go there, particularly one who looks after the technical end of it, construction. That question would be all right; and he has just answered that question by saying that he thought there should be somebody in the department who was an expert to advise as to the progress being made, and to decide whether the actual contract is being carried out with reasonable diligence and dispatch.

Mr. MACDONNELL: Well, Mr. Chairman, I still am not clear that there was too much duplication. Well, the question is, what is too much. I would say any duplication is open to question and one ought to be critical about it.

By Mr. Fulton:

Q. Mr. Chairman, might I ask Mr. Drury this question: I think he told me on a previous occasion that this sum here and the sum in the other table later on of \$13 million odd to Canadair are entirely for the production of the F-86, is that so, up to the end of this year?—A. No, I am not sure of this figure of \$13 million. The total figure to Canadair includes overhaul and repair of Dakota aircraft and North Stars and is not entirely for the F-86.

Q. These advances we are discussing on page N-8 are entirely for tooling up for the F-86. Is that correct?—A. The advance payments which I mentioned here under authority of P.C. 4115 and 4116 are advances in relation to the F-86.

Q. And can you tell me whether there were advances for that purpose in previous years?—A. Advances for the F-86 before this?

Q. Yes.—A. No.

Q. But these 1949-50 advances were made for that purpose?—A. Yes.

Q. Can you tell me, since it does not appear here nor can I get it from a general figure later on, what portion of the total advances for 1949-50 were made for the F-86?—A. Yes, I think, Mr. Fulton, that I detailed that in one of the tables I filed.

Q. All right?—A. If you will refer—rather than have me read it all again—to number 10 of the Minutes of Proceedings and Evidence of this committee at its meeting under date of May 3, 1951, to appendix "B", you will see a breakdown of the \$13,696,576.16 of advances made to Canadair.

Q. Thank you. Then, would you care to make a statement relating to an earlier question I asked you as to what steps you took to produce these components and to assure yourself that maximum progress was being made? Does the amount, the advances which have been made over the past few years, which we have been putting into Canadair for tooling up for the production of the F-86—how does that record of length of time of getting into production compare with other industries in other countries?—A. Without being able to cite you specific instances of figures by other countries I am satisfied on the advice I have received that this compares very favourably indeed.

Q. Does that take into account the fact that some of the components for our F-86 are not being manufactured in Canada, that we are receiving the whole of the components from outside?—A. That curiously enough is one of the reasons for the delay. If we had been able to obtain these components as fast as Canadair would have been ready for them we would have been producing these very much earlier.

Q. I do not want to ask you any questions which may complicate your relations with other industries so I will ask you to exercise your discretion here. Are you in a position to compare the performance record in this case with any of the factories where you have placed similar orders in Canada for aircraft?—A. Well, there really is no comparable case.

Q. Why is that, because these are an established type whereas your other work is largely experimental?—A. The CF-100 is the only plane being manufactured in this country which has been developed in this country and this alters circumstances completely. The other contracts in relation to aircraft are largely for overhaul, modification and repair, and that is another sort of category of work altogether.

Q. And is that the case, that this is the first time we actually have a complete military aircraft of Canadian design being manufactured in Canada?—A. Since the war.

Q. Since the war?—A. Yes.

The CHAIRMAN: Now, we are passing on to the next item, "damage claims," on page N-8.

By Mr. Fulton:

Q. Mr. Chairman, there is one question I would like to ask following that up. Was the defence program materially delayed by any modification which you required to make from the time you first gave the order and the times when the finished product was starting to come out. I refer to the F-86.—A. You are asking about the F-86?

Q. Yes.—A. In relation to the F-86 the modifications are those which were introduced into the United States aircraft. This aircraft has been developed in the United States and we are keeping the model produced in Canada exactly the same as the model being produced in the United States. And now, in relation to the model in the United States, they have discovered through extensive use that certain modifications are desirable.

Q. Yes?—A. And as soon as they are incorporated or are to be incorporated in the United States production models they are incorporated up here.

Q. But you don't make any modifications based upon any experimental work we do or any experience we may have gained ourselves with respect to these F-86's?—A. We have had an engineering study made of the F-86 with a view to making it possible for it to be powered by the Orenda engine instead of the present TG-190 engine, and in order to insert the Orenda engine in the F-86 it will require some small modifications. Now, that is one of the things we are doing which is different from what has been done in the past from what has been done in the United States.

Q. Do you recall how many modifications you have been required to make in the F-86 since it was first ordered through Canadair to the time production first started to roll off the line?—A. I do not know that off hand. I have to find that out for you. There have been very few.

Q. Very few?—A. Yes.

Mr. CROLL: Mr. Drury, have there been any modifications which we have made which have been adopted by the United States?

The WITNESS: Not as yet. We have, of course, had very little opportunity to carry out user trials and achieve experience with this type of plane, and it is generally speaking from experience in use that modifications arise. Now, certainly if we discovered improvements or can suggest improvements that might be made in this particular aircraft as a result of our experience we will consult with the United States with a view to getting them to adopt them as well as ourselves.

By Mr. Fulton:

Q. Is the basic armament for these planes the same as for the Sabre? They are a cannon, I believe.—A. They are the same.

Q. They are the same?—A. Yes.

Q. We have made no modification in the armament?—A. Not as far as I know. I do not think so. I do not know if I should go so far as to say it is a Chinese copy, but it is pretty close to it.

Q. Are the guns manufactured in Canada or are they being imported?—A. I will put it this way; no guns for these planes have as yet been manufactured in Canada.

Q. That makes me want to ask another question. Is it your intention that they should be?

The CHAIRMAN: We do not have to enquire as to the intentions. You might ask what progress has been made or what has been done, but a question on intentions introduces a matter of policy for the future. You may ask it in the House but here we examine expenditures of the past.

By Mr. Fulton:

Q. I will ask Mr. Drury then if he will explain his meaning when he says they have not yet been manufactured in Canada.—A. I will leave out the word "yet".

Q. Well, it was in your answer That is what I took from your answer, that it is contemplated.

The CHAIRMAN: Well, if it is contemplated, that indicates that it is not being carried on, that it is not something that is being done.

Mr. FULTON: Have any steps been taken or are steps being taken to prepare for the manufacture of the guns in Canada?

The WITNESS: Consideration is being given as to the desirability of the manufacture of these guns in Canada.

Mr. FLEMING: And, announcement will be made in due course; that completes the rhyme.

Mr. FULTON: What are the guns at the moment? Can you give us their calibre?

Mr. CROLL: I do not think he should do that, Mr. Chairman.

The CHAIRMAN: We are dealing here with an item of expenditure, it is up to the witness whether he is at liberty to answer.

Mr. FULTON: We were all taken down and saw through the plant.

The CHAIRMAN: If you were in a defence committee or in the House of Commons you could carry on for as long as you like on defence policies, but we are dealing here with expenditures.

Mr. FULTON: Where do you buy these guns, in the United States?

Mr. CROLL: Mr. Chairman, may I say this.

The CHAIRMAN: Is it about these guns?

Mr. CROLL: It is about that last question, the question as to where these guns were made, where they came from. I can see Mr. Fulton's interest in getting the information, but I do not think that we should carry on an examination for discovering as to these guns so that the information will be on the record for people who do not need to know what we have in the F-86 or any other aircraft or weapon, or what we may have. We are interested in the expenditure of money, but I do not think that this is a sort of examination which we should carry on. As a matter of fact, I think we are falling into serious fault in getting too much information with respect to our equipment and with respect our fire arms. It is a matter of some concern.

Mr. FULTON: Well, Mr. Chairman, I would like to ask Mr. Drury this, it might settle it at once. Is the armament of the F-86 on the secret list or on the restricted list?

The CHAIRMAN: May I be permitted to comment on this question, if you don't mind, Mr. Fulton. As I said on a previous occasion, it is up to the witness to decide whether for security reasons a question should be answered or not, and I have been criticized for having said that. I think we all want to be fair to this witness and if he wants to answer that question we will let him answer it; and if he does not he should say so and why. The question is one which relates to expenditures and which comes within the reference to this committee in relation to the 1949-50 account, expenditures for guns purchased in the United States—I take it that will be your question?

Mr. FULTON: But in order that I might be fair to the witness and also not to evade any security regulations, which I am just as anxious to respect as anyone else here—

The CHAIRMAN: I am not blaming you.

Mr. FULTON: —I would like to ask the witness, and it would help to settle the matter, if the armament of the F-86, is on the secret list or on the restricted list?

The WITNESS: The armament of our aircraft is something which we would not normally publish.

Mr. FULTON: In other words, you would not care to answer specifically the question as to the manufacture or the calibre of the guns which may be in use?

The WITNESS: Well, we would prefer not to. If there are good reasons for so doing made known, if the advantages outweigh the disadvantages, then it would be done, but we would prefer not to.

The CHAIRMAN: Then, Mr. Croll, that comes back to a statement I made, that the witness is competent to decide whether an answer should be given. I cannot prevent a question being asked that deals with expenditures, but if the witness says for security reasons he cannot answer it, that is his responsibility entirely.

Mr. CROLL: The difficulty is, Mr. Chairman, that a lot of people may be reading these words other than members of parliament and it seems to me that unless it is essential we ought to avoid it so far as possible. I suggest that Mr. Fulton would be as reluctant as I would be to ask questions which in any way would give away information. I can assure you on that point.

The CHAIRMAN: All right, then I rely on the judgment of the witness of his responsibility and that he will say so if he feels he should not answer any of these questions for security reasons.

Mr. FULTON: I would like to be clear as to the answer given by Mr. Drury, that that would apply to questions of this type. I would like to ask him if any of the money referred to in the public accounts of 1949-50 was paid, I mean the money advanced in connection with the production of the F-86, was any of that money paid for American manufactured guns; and, if so, the name of the firm and the point of manufacture; and whether the general statement he made would apply to this question.

The CHAIRMAN: It is for the witness to say whether he wants to give the name of the manufacturer, but as to the amount of money, the question is all right.

The WITNESS: No amount of the payment to Canadair included the purchase price of armament. We buy that from the United States government.

Mr. FULTON: You do not have to buy directly from the manufacturer?

The WITNESS: No.

Mr. CROLL: That should make you happy now.

Mr. FLEMING: Concerning these various items that are on page N-8, for the fiscal year 1949-50, Mr. Drury, you are going to make a statement in reply to the questions at the next meeting?

The CHAIRMAN: Yes, at one of the next meetings, as early as possible. Our next item is "damage claims" on page N-8.

Mr. FLEMING: Mr. Chairman, under that item is order in council 4306/1880, I wonder if—

The WITNESS: I am sorry, I am not quite sure where we are.

The CHAIRMAN: Down here on page N-8, "damage claims".

By Mr. Fleming:

Q. Has that been modified? Can you tell us?—A. I am not sure whether that has been modified or not.

Q. You may recall that there was a definite order in council in effect during the war. As I recall it it came into effect in 1941, and this order in council of 1947 was, I think, a modification of that?—A. Yes, I think it was.

Q. I wonder if we could get a copy of those two orders in council brought to an early meeting of the committee? I mention that, Mr. Chairman, because I think we might well consider making some recommendation in our report pertaining to the grounds upon which claims may be made arising out of the death or injury to persons or damage to property allegedly resulting from the negligence of any officer or servant of the crown while acting within the scope of his duties or employment. Could we have these orders in council filed? I might venture to suggest that the committee will feel that the present orders are too narrow in the grounds that they give for claims being filed against the crown.

The CHAIRMAN: That has been my experience in one or two cases.

Mr. FLEMING: Mine, too.

Mr. CROLL: I could elaborate on that question for you. Is there a limitation in that, do you recall?

The WITNESS: There are a number of limitations.

Mr. CROLL: Give us some.

Mr. FLEMING: I think we had better get the terms of the orders in council and have them before us.

The CHAIRMAN: I think you should let the witness have an opportunity of filing them with the committee rather than trying to deal with them just off hand. I think we should let this stand if you want to discuss it, so that we may have the orders in council before us.

Mr. FLEMING: If the witness could bring copies of them to our next meeting we will then have them before us and we can question him on them.

The CHAIRMAN: That is right.

Mr. FLEMING: I notice that there are only three cases that were in excess of \$5,000. Were there many under that amount during this period, in the twelve months under review?

The WITNESS: I do not know, Mr. Chairman.

Mr. FLEMING: Probably we could ask the witness to inform himself on that.

By Mr. Browne:

Q. I wonder, Mr. Chairman, if the witness could tell us something about this Boys Farm and Training School. What is the nature of that claim? It seems to have been a large amount for a training school. What is the nature of the claim?—A. Speaking from memory only, a reserve unit from Montreal went out on a local scheme from Montreal up to Shawbridge and in view of the ensuing inclement weather they got permission from the Boys Farm and Training School in Shawbridge to make use of their gymnasium and recreation hall in order to take their noonday meal under shelter. The unit which was pretty well self contained had brought along a portable gasoline cooker of the type used in the field in order to cook their noonday meal. This was set up in the recreation hall, suitably insulated from the floor, and all went well until it exploded and the entire building was razed. There was considerable delay in the negotiations, claims and counter claims as to the value of this building were involved, and this was the eventual sum agreed upon, and I might say authorized by Treasury Board to be paid.

Q. May I also ask you this: was there any enquiry as to the cause of the explosion?—A. There was a complete inquiry regarding this whole question.

Q. And, as to the cause of the explosion, can you recall that?—A. I can't recall, to be quite frank. We did not, I believe, ascertain the cause of the explosion.

Q. During the course of the year there are numerous fires and explosions and I have had a lot of experience with them in Newfoundland. It seems to me that there was a lack of watchman service. I do not know whether that applies in the particular case.

Mr. CROLL: It was a gasoline explosion in this case.

Mr. BROWNE: I am of the opinion that in various places a good many fires could have been prevented by a suitable watch service.

The WITNESS: Well, undoubtedly, the extent to which fires cause damage could be limited, were people on the scene immediately the fire breaks out, but I am not sure that the services of a watchman would prevent short circuits occurring within wall partitions.

Mr. BROWNE: No, I suppose not, but some protection should be given; at least, safety measures can be taken.

The WITNESS: That is correct, and we endeavour so far as we can to follow the standards set by the various public utilities in respect of safety measures.

The CHAIRMAN: Many of these buildings are not owned by the Department of National Defence, they are rented by them. They can't be responsible for short circuits.

By Mr. Fleming:

Q. There is an item there of \$5,798.18, paid to the city of Ottawa in August of 1949. Could the witness tell us what that was?

Mr. Ross: Mr. Chairman, my recollection of that particular item is that this was equipment in a building which we rented during the war which was returned to them at the end of the war. The claim was for deficiencies and damage for materials taken out of the building.

Mr. FLEMING: And shortages of equipment?

Mr. Ross: The stuff was stored in different places from time to time and I think was damaged from being moved from time to time in order to make available additional facilities that we needed. We had to move it from one building to another, and when it came to returning it at the end there were certain things missing and there was some stuff which they claimed would be of no use. It was a negotiated settlement.

Mr. CROLL: It is not a continuing item for payment?

Mr. Ross: No, it is a straight settlement.

Mr. FLEMING: It goes back to the war years, doesn't it?

Mr. Ross: Yes, one of the buildings that we occupied during the war.

Mr. FLEMING: And you turned it back?

Mr. Ross: It was turned back at the time. There was a long item for equipment. They wanted some \$17,000 or \$18,000, but eventually settled for this amount.

Mr. BENIDICKSON: If Mr. Drury has not previously done so, would he outline the departmental procedures and various steps leading up to the decision in the one case to buy planes of American design or manufacture in Canada and in the other to develop the CF-100, to design and develop it in Canada?

The CHAIRMAN: You mean to go back to the previous items that we were discussing?

By Mr. Benidickson:

Q. It includes this Order in Council for an advance in one case; and if it is not in its proper place—I notice that we did not come back the way we went. What is the background of the government activity which resulted in two different decisions?—A. Very briefly, there is consultation as between the interested government departments. Referring to the C.F. 100 and the F-86; the departments concerned would be National Defence; Trade and Commerce, and Transport. But Transport's interest in this is marginal.

Consultation takes place between the officials, or at the official level in these three departments; this results in a recommendation being made to the various ministers heading their departments, followed by an examination of the whole question by the Cabinet Defence Committee which, in turn, would be carried to cabinet and a decision.

Q. Could a finger be put on the origin of the thing? Would it be the need for defence of a certain plane?—A. The development or initiation of the requirement for a certain specific type of aircraft arises in the Department of National Defence. Then ways and means of meeting that requirement are discussed with Trade and Commerce at the official level, bringing in any other interested department.

The CHAIRMAN: Before we pass on to the next item, it appears that we no longer have a quorum. We are only 12 instead of 15. The next item is a minor one.

Mr. FLEMING: I was going to ask a question, Mr. Chairman, in order to complete the picture. What was the nature of the Lobb claim?

Mr. FULTON: Let us finish up that one.

Mr. FLEMING: It is a damage claim. What was the nature of the claim made there?

The WITNESS: This information will have to be obtained.

Mr. ROBINSON: Before we adjourn, Mr. Chairman, I think we are approaching pages N-12 and N-13. Could I be permitted to give Mr. Drury notice of some of the questions to which I would like to have answers?

The CHAIRMAN: You may proceed.

Mr. ROBINSON: I see on pages N-12 and N-13 that we have in Washington a number of officers. There is a military attache, an assistant military attache, a naval attache, an assistant naval attache, an air force attache, and an assistant air force attache. In addition I see that there is a staff secretary and an air vice-marshal who is with the Canadian Service representatives.

I wonder if at the next meeting or at some subsequent meeting when we reach that point, if you would be in a position to give me the service background of each officer, I mean a short summary of his service background, as well as a short statement of his duties, and what leave he was given in the fiscal year under consideration? Also I would like to know in respect to each officer the total of pay and allowances which he received.

In that respect I notice on page N-9 there is given the rates of pay for various officers. So in respect to each officer I would like to know what pay he received; and if he received married allowance, what was the amount paid.

Also, did he receive subsistence allowance, and if so, what was the amount? I want to have that information in respect to each of the officers I have mentioned as listed on pages N-12 and N-13.

Mr. FLEMING: At Washington.

Mr. ROBINSON: Yes, at Washington. And then on page N-11 we see that service personnel may get a "separated family's allowance". Now, in respect to each officer, did he receive anything under that heading and if so, what amount?

And again, still on page N-11, I see an item for "supplementary allowances—duty outside Canada". In respect to each officer, did he receive anything under that heading, and if so, what amount?

And then on page N-12 I notice that an officer may receive "rental allowances". In respect to each officer, what amount did he receive, if any, under that heading?

On page N-12 there is a notation regarding special allowances payable to certain personnel. Did any of those officers receive any such special allowances, and if so in what amount?

On page N-13 we see certain officers are reimbursed for club fees. Were any of those officers reimbursed in such respect and if so to what extent?

Similarly they may get allowances for tuition, books, etc., for children. Did any of those officers receive such allowances and if so what was the exact amount?

Those are the particular allowances which are mentioned on the pages which we have just looked at but in addition to that, did those officers receive any travelling expenses, moving expenses, or any other allowances or advances whatsoever? I have been fairly particular but you can see what I am driving at. I want the total take-home pay of every one of those individuals.

Mr. FLEMING: Gross pay.

Mr. FULTON: The gross pay, not the take-home pay.

Mr. ROBINSON: Yes, and further—

Mr. FULTON: —what they did with it?

Mr. ROBINSON: I am asking for another short statement in respect of each of those officials: did he have any staff with him in Washington; was he given the use of any car, aircraft, or vessel, and the services of a driver, pilot, skipper or what have you?

The CHAIRMAN: Does that complete the question?

Mr. ROBINSON: That is enough to start with.

The CHAIRMAN: I had announced a meeting for Thursday but I doubt whether the deputy chairman or myself will be available. Would you sooner meet Thursday afternoon or on Wednesday morning?

Mr. FLEMING: Not Wednesday morning.

(Discussion followed.)

The CHAIRMAN: Well, we will leave it at the call of the chair and I will negotiate with the members.

The meeting adjourned to meet again at the call of the chair.

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HOUSE OF COMMONS

Government
Publications

STANDING COMMITTEE

ON

PUBLIC ACCOUNTS

CHAIRMAN—Mr. L. PHILIPPE PICARD

MINUTES OF PROCEEDINGS AND EVIDENCE

No. 14

WEDNESDAY, MAY 16, 1951

WITNESSES:

Mr. C. M. Drury, C.B.E., D.S.O., E.D., Deputy Minister of National Defence.

Mr. A. Ross, C.M.G., Associate Deputy Minister.

OTTAWA
EDMOND CLOUTIER, C.M.G., O.A., D.S.P.
PRINTER TO THE KING'S MOST EXCELLENT MAJESTY
CONTROLLER OF STATIONERY
1951

MINUTES OF PROCEEDINGS

HOUSE OF COMMONS, Room 430.

WEDNESDAY, May 16, 1951.

The Standing Committee on Public Accounts met at 4:00 o'clock p.m., the Chairman, Mr. L. Philippe Picard, presiding during the early part of the meeting; he was replaced in the Chair for the latter part by the Vice-Chairman, Mr. David A. Croll.

Members present: Messrs. Anderson, Ashbourne, Benidickson, Beyerstein, Blue, Boivin, Campney, Cloutier, Croll, Denis, Decore, Fleming, Fournier (*Maisonneuve-Rosemont*), Fulford, Johnston, Major, Pearkes, Picard, Richard (*Gloucester*), Riley, Robinson, Thatcher, Warren, Weaver, Wright.

In attendance: Mr. C. M. Drury, C.B.E., D.S.O., E.D., Deputy Minister of National Defence; Mr. A. Ross, C.M.G., Associate Deputy Minister.

The Committee resumed consideration of the public accounts, relative to the Department of National Defence, for the fiscal year ended March 31, 1950.

Mr. A. Ross was called.

The witness tabled documents requested by the Committee which were ordered printed as Appendices to the day's Minutes of Proceedings and Evidence as follows:

Appendix "A"—Certified true copy of P.C. 43/1880 of May 14, 1947.

Appendix "B"—Certified true copy of P.C. 254½/2727 of May 28, 1949.

Appendix "C"—Summary of advance payments to contractors—1949-50 standing as at March 31, 1950.

The witness was questioned at length on the various items of public accounts under study.

Mr. Drury's examination was resumed and he was questioned briefly in connection with Appendix "B" to the Minutes of Proceedings and Evidence of Thursday, May 10.

(See Volume 12, page 349 and addendum to to-day's printed Minutes of Proceedings and Evidence.)

And the examination of Messrs. Drury and Ross still continuing; the said examination was adjourned to the next meeting.

At 5:45 o'clock p.m., the Committee adjourned to the call of the Chair.

ANTOINE CHASSÉ
Clerk of the Committee.

MINUTES OF EVIDENCE

HOUSE OF COMMONS,
May 16, 1951.

The Standing Committee on Public Accounts met this day at 4 p.m. The Chairman, Mr. L. Philippe Picard, presided.

The CHAIRMAN: Order, gentlemen. I see a quorum so we can start. When we adjourned at our last meeting we were considering the item on damage claims on page N-8, and one of the witnesses was to supply copies of order in council P.C.43/1880.

Mr. A. Ross, Associate Deputy Minister, Department of National Defence, called:

The WITNESS: I have two orders in council here, Mr. Chairman.

The CHAIRMAN: They will be distributed to the members, please.

Mr. Ross has produced copies of these orders in council. Are there any questions at this time on damage claims which we were considering at our last meeting? Consideration was deferred because some of the members felt that they should have these orders in council and there might be some discussion about them.

(Order in council P.C.43/1880 appears as Appendix "A".)

(Order in council P.C.254½/2727 appears as Appendix "B".)

Mr. FLEMING: Mr. Chairman, I suggest that as this order in council 43/1880 is rather lengthy we might pass over that item for the moment so as to have a chance to look this order in council over and prepare our questions with respect to it and in that way save a considerable amount of time.

The CHAIRMAN: That is right. We will leave this matter in abeyance; we will let it stand. The next item is at the bottom of page N-8, transportation—armed services. Is there any comment? Now, I will assume, as we did when we were passing over the report of the Auditor General, that we have read this report or are supposed to have read it; so, after waiting a few seconds, I shall carry on with the next item. I think that we can assume that the members have read it because we are supposed to have had it before us for some time.

The next item is northern allowances—civilians; that is on the bottom of page N-8.

We now come to pay and allowances—army, navy and air, on page N-9.

Mr. FLEMING: There is just one question I had, Mr. Chairman, and it is in relation to the statement in the second last printed line of the text: "The chief of staff of each of the three services is paid a consolidated rate of \$12,000 per annum". I was just wondering what the definition of this expression consolidated rate is.

The WITNESS: Mr. Chairman, that takes the place of all the other allowances that are paid to staff officers. For instance, a brigadier gets paid a basic rate of \$578.00. This is a consolidated rate which means that it includes all the allowances that he would be entitled to if he was paid on the regular basic table, the full basic table, plus the married allowance and other allowances. It covers all payments except travelling expenses.

The CHAIRMAN: Are there any further questions? May I ask if you have the answer to the question asked by Mr. Robinson? Is that information ready yet?

The WITNESS: I am sorry, Mr. Chairman, it is not.

The CHAIRMAN: Then we will keep this item in abeyance. Are there any further questions on this next page, that is N-9, also N-10 and the top of N-11, in the case of the army? Then we can go down to separated family's allowance; that is the next item on page N-11; and the other item there is supplementary allowances—outside Canada.

Mr. WRIGHT: What are these allowances? Are those below here in the supplementary estimates?

The WITNESS: Generally speaking, these are for the purpose of adjusting the cost of living as between living in Canada and living in some other point. You will notice that a person in the United Kingdom gets a substantial amount. The rates vary at the different points in accordance with experience.

By the Chairman:

Q. The figures would seem to indicate that the cost of living in Seattle, Washington, is higher than it is in Washington itself?—A. Yes.

Q. Are there any reasons for that?—A. That is based on experience. The tables are set by a study of the cost of living index.

Q. I mean, they don't vary, they are based on American standards or reports of the American statisticians as to the cost of living in the States?—A. Yes, it is all based on the cost of living in Canada; taking the cost of living in Canada at 100 someone living at a point outside of Canada would probably have to pay 150, and this is the difference.

Q. And my question was mainly as to who fixes the rate, and how it is arrived at?—A. It is set by special committee of treasury who review this from time to time.

Q. By that you mean the Department Treasury?—A. Treasury, the Finance Department.

Q. The Treasury Board?—A. Yes.

Mr. CAMPNEY: This committee fixes it with respect to all services, does it not?

The WITNESS: As a matter of fact it is worked out for all departments on the same basis. Special allowances are made when outside of Canada, and the table is based on the experience at the different points.

Mr. ROBINSON: May I ask when I may expect the information which I asked yesterday to have brought down here? Should we have a discussion of that now, or later?

The CHAIRMAN: When Mr. Ross brings back the answer to your questions of yesterday we can come back to them and deal with the whole thing at one time, so we will ask him to keep his observations on that point until we have that material before us.

Mr. ROBINSON: Yes.

The CHAIRMAN: Have you any further questions? These comments on page N-12 cover the balance of certain supplementary allowances for duty outside of Canada and then we come to rent allowances for duty outside of Canada.

Mr. WRIGHT: What portion of these rents are paid by the service men themselves? Is there anything there to provide for reimbursing a man for the portion of the rent above the normal, above the monthly rate he would normally pay?

The WITNESS: Well, they are assessed the normal rental they would be paying if they were provided with a subsistence allowance. For instance, in the composition of pay allowance in the service there is part of it which represents accommodation. We are supposed to provide accommodation and if we don't then we have to give subsistence. That accommodation is valued at a certain rental and he is expected to pay that no matter where he goes, but if he has to pay more than that, then this is compensation allowance for higher rentals in places such as England, France or Washington. I can give you a table of rentals which they have to pay in each case.

The CHAIRMAN: That table could be put in as an appendix.

Mr. THATCHER: Mr. Chairman, what are the duties of these attachés at various points?

Mr. FLEMING: That is the next item we come to.

The CHAIRMAN: We are now on rental allowances in general.

Mr. THATCHER: That is right, I am sorry.

The CHAIRMAN: And Mr. Ross is going to supply us with the table of rental allowances, not only for officers but for all ranks—is that right, it will apply to everyone?

The WITNESS: It will apply to everyone wherever they are employed.

Mr. WRIGHT: In respect to these rental allowances, where you have not suitable accommodation and a man has to go out and obtain accommodation for himself, is there any limit on the rent he is allowed to pay for such accommodation?

The WITNESS: It is all covered by the regulations as to what rental is permitted and it varies according to rank. We can give you a table based on rank structure.

Mr. WRIGHT: Oh, that is the table you are going to bring in.

The CHAIRMAN: Yes, that will be added as an appendix. Now, the next item is special allowances payable to naval, military or air attachés. And now, on that we have a question just asked by Mr. Thatcher and the questions asked by Mr. Robinson, and we have asked for the production of a number of details as to rank, and so on; I mean, the duties of these people, their background and a synopsis of their previous activities, and the total amount that they get in the way of salary, living allowance and so on; so I wonder if it would not be better to postpone discussion on this subject until we get that report tabled and we can deal at the same time with all the questions on that item when it is produced, and when we are discussing the return requested by Mr. Robinson. That will be allowed to stand. Then the witness tells me at this point that he has agreed to produce documents asked for at our last meeting. All right, Mr. Ross, go ahead.

The WITNESS: This is a statement of advance payments to contractors which I will place on the record. There are ten items all listed in the blue book.

Mr. FLEMING: I think this is in reply to a question I asked, Mr. Chairman, with respect to the matter of advances, "other advance payments to government and companies outstanding"—and the total amount was, as shown on page N-8, \$203,000.

The WITNESS: That is right.

The CHAIRMAN: I will ask the witness in future when he has answers of this kind to please let me know at the beginning of the meeting so I can ask him to produce them right away before we take up a new item. Will you do that?

The WITNESS: I will, Mr. Chairman.

Mr. CROLL: You don't want to be questioned on that today? Do you want us to deal with that now?

The WITNESS: I just want to mention that these advances are all accounted for with the exception of three. One is the advance to the Canadian Marconi Company, \$200,000.

The CHAIRMAN: I think, the witness has some comments to make. They should be made when we have the table before us, probably at our next meeting. We will have it before us then even if it is not in published form, we will have it mimeographed and at the next meeting we can take the whole question up at the one time.

Mr. FLEMING: Unless there is some very simple and quick explanation.

The WITNESS: There is.

The \$200,000 is for the purchase of components which the Marconi Company is building into equipments for the services. Those are actually for equipments which are being built by the Canadian Marconi Company in connection with wireless, and they have to put the money up to get those components in advance. We will not receive delivery of item until the work is complete. Therefore, the amount that is left as an outstanding advance still to be accounted for—

By Mr. Fleming:

Q. Well, in brief, the accounting for that advance is requiring a longer than normal period?—A. Not necessarily; it is the type of work being done.

Q. That is what I mean?—A. It is electronic work that is to be completed. We figured that it might be completed by the end of this year but it has not. It is running into another year. There is a small balance—

The CHAIRMAN: Excuse me, but are we going to have the twelve items and start again tomorrow with the questioning?

The WITNESS: There are only three items open.

Mr. FLEMING: I do not know whether we have heard the explanation.

The CHAIRMAN: I do not think it would be satisfactory to break the order of our business and come back at this again tomorrow. I am very sorry but I will rule that we table it and we shall have the discussion on the item tomorrow.

(See Appendix "C": Advance Payments to Contractors.)

The next item on page N-13 is the salary of the minister.

By Mr. Robinson:

Q. Before you leave N-12 and N-13 I have a general question with regard to the list which commences on the bottom of page N-12 and continues on to N-13—a list of defence personnel who are apparently outside of Canada.

I would like to know generally what that list is supposed to mean. Immediately above it mentions rental allowances and special allowances. Do I understand from that that the following list includes all defence personnel stationed outside of Canada at that time who were in receipt of these particular allowances?—A. You refer to the list that is shown on this report starting "military attache, The Hague—"

Q. Yes, it commences "military attache, The Hague, Netherlands," and it ends with "air Washington, U.S.A.," on page N-13?—A. And the question is—?

Q. I want to know if that list is complete?—Does it cover all defence personnel stationed outside of Canada at that time who were receiving rental allowances or special allowances?—A. I will answer that with the statement I am putting forward. I am not quite sure. I do not think there are any others but I am not just prepared to answer that.

The CHAIRMAN: I do not think that Mr. Robinson means only attaches, he means all army personnel?

Mr. ROBINSON: Yes, I would like to know the meaning of this list. Is it intended to give all defence personnel who are in receipt for instance of living and representation allowance or is it simply senior officers whom you have picked at random?

The WITNESS: Those shown are the only people who would be getting representation allowance.

By Mr. Croll:

Q. But would not a sergeant attached in Greece get a rental allowance?—A. He would get a rental allowance and a living allowance but not a representation allowance.

Q. Then, this is not an all-inclusive list?—A. This is an inclusive list of those receiving representation allowance as distinct from those who are receiving rental and living allowance.

By Mr. Fleming:

Q. What is the relationship of living and representation allowances to ordinary pay?—A. Well, that is based on experience again.

Q. In the first place is it additional to it?—A. It is additional to it.

By Mr. Croll:

Q. It would have no relation to pay?—A. No, it has relation to the cost of living and the responsibility of the individual.

Mr. FLEMING: Has it any relation to pay as reflected in rank?

Mr. THATCHER: Is this item open for questioning?

The CHAIRMAN: We decided we would leave it open until we got the answer for Mr. Robinson. I have just noticed that we are embarking on it now, but we have not the meat—we have not the report. I think the time to enter into a discussion of the detail would be when we get the report.

Mr. FLEMING: I thought Mr. Robinson was interested only in Washington.

By Mr. Robinson:

Q. Well, I saw there were eight officers at Washington and I thought if I asked the question merely with respect to those eight officers that would give us a true picture?—A. Well that is a true picture as far as representation allowance is concerned. Every person who is outside Canada on a detached posting would be entitled to an adjustment of rental allowance and living allowance but not representation allowance.

Q. Well, following up what Mr. Croll has said, we can take it that the list appearing on pages N-12 and N-13 gives us every one of the defence personnel stationed abroad in this fiscal year who are in receipt of living and representation allowance?—A. That is correct sir.

The CHAIRMAN: We will leave this matter open for discussion until we get the report.

Shall we carry on with the next matter which is the minister's salary and car allowance?

And then, vote 239—"general services".

Mr. THATCHER: I wonder if Mr. Ross would explain why the grants to military associations almost doubled in the year under discussion?

The CHAIRMAN: We get into them on vote 239—"grants to military associations, institutes and others, as detailed in the estimates."

Mr. PEARKES: May I ask a question on rifle association grants before you go to military service associations?

The CHAIRMAN: We will take them one by one. For the sake of the record I wanted to put the title properly in the proceedings.

Rifle associations.

By Mr. Pearkes:

Q. In connection with the grant to the Dominion of Canada Rifle Association that will include expenses in connection with the Canadian team going to Bisley?—A. Yes, that does.

Q. Now in addition to that grant did the personnel of that team receive pay and allowances?—A. I am not sure. I would like to look into that.

The CHAIRMAN: Would you kindly speak a little louder?

The WITNESS: I do not think they got pay and allowances.

Mr. PEARKES: I wish you would check that.

The CHAIRMAN: Mr. Thatcher, was your question on this item?

Mr. THATCHER: Yes, on page N-5 the general figure shows that we gave \$225,000 this year as compared with \$150,000 in the year previous. I was wondering what the increase was for.

The WITNESS: There was an increase—

Mr. THATCHER: \$100,000 odd.

Mr. FLEMING: Did you get that out of the book of estimates?

Mr. THATCHER: No, it is on page N-5.

The WITNESS: I was just trying to see what there was here. We did not pay towards the United Services Quarterly. You will notice \$1,750 in the estimates. That was not paid, according to the statement of expenditures, but there must be more.

Mr. THATCHER: That would still leave about \$92,000.

The CHAIRMAN: The difference is \$110,200. It is on page N-5 and N-13. Between 1948-49 and 1949-50 you have a difference of \$110,200. That is what Mr. Thatcher is asking about.

The WITNESS: The inclusion of the navy and the air force throws that figure right up. You will find at the bottom here there is \$40,000 for the Air Cadet League; the Naval Officers Association is \$40,000; and the Royal Canadian Air Force Association is \$15,000.

By Mr. Thatcher:

Q. Those were not there in the previous year?—A. No, they were just brought in—and pooled when they consolidated the department.

Q. Well, that is \$65,000, what about the National Research Council? Was that included that year?—A. No, the National Research Council is not in this. We are dealing with military associations.

Mr. FLEMING: That is under "C".

The WITNESS: Yes, that \$25,000 is for aeronautical research that was not done in the year before.

Mr. CROLL: That is the answer.

The WITNESS: I would like to answer General Pearkes. The information regarding personnel attending with the Bisley team is that the competitors' pay and allowances and expenses are paid—

By Mr. Pearkes:

Q. In addition to the \$60,000 amount?—A. —out of government funds; out of public moneys.

Q. In addition to the grant made to the Rifle Association?—A. Yes.

Q. Can you tell me whether there are any other grants made to the Dominion of Canada Rifle Association in addition to the \$60,000? For instance, is free ammunition granted?—A. They will draw ammunition at the rifle ranges free.

Q. They will draw ammunition at the rifle ranges, but somebody has got to supply the rifle ranges?—A. Yes, sir.

Q. In addition, when the Dominion of Canada Rifle Association carries out matches say at the Connaught rifle ranges are they given free ammunition?—A. Yes.

Q. In addition to the \$60,000 grant?—A. Yes.

Q. Can you obtain the amount of ammunition which is given or the cost of the free ammunition? What I am trying to get at is the total amount of money which is granted to this Dominion of Canada Rifle Association. You see there is \$60,000, plus the pay and allowances of the Bisley team. Could we have the amount of the pay and allowances which were paid to the Bisley team for the year in question—so that we can see how much that comes to? Then, I would ask for the cost of the ammunition which is used.

The other question I would like to ask is: is that ammunition manufactured in Canada or is that special ammunition obtained from elsewhere?

The CHAIRMAN: The witness tells me he will get all of the information.

Mr. PEARKES: I do not expect him to have it now.

The CHAIRMAN: Are there any further questions on rifle associations?

By Mr. Fleming:

Q. There is one item on N-13 just above this on which I had a question. It is just before you come to vote 239, and it is about travelling expenses of the minister. Do they include any cost of providing for the minister aircraft or vehicles owned by the department?—A. The answer to that is no. That is not included here.

Q. I think Mr. Drury was going to bring us in a record of the provision of transportation for officials so we will get that from him.

The CHAIRMAN: Are there any further questions on military associations?

By Mr. Pearkes:

Q. When Mr. Ross is obtaining the information I asked for could he also obtain the number of competitors who took part in the Dominion of Canada rifle meet at Connaught ranges in the year in question? That would give us some idea of the amount of money spent on so many people. And could we also have the number of competitors who took part in each of those provincial rifle associations during the same year?—A. Yes.

Q. And then, and I am sorry to have so many questions about this, individuals are brought from various provinces to compete in the Dominion of Canada Rifle Association prize meet. Who pays for their transportation? Is that paid for out of the grant or are they issued with additional free transportation from elsewhere?

The CHAIRMAN: You want a true picture of the whole situation?

Mr. PEARKES: Yes, a true picture so we can see how this \$60,000 was expended, and how much more, and how many people it affects.

The CHAIRMAN: Not only for the Dominion but for all of the provinces as well?

Mr. PEARKES: They are all linked in together; the winning competitors from the various provincial meets come to the Dominion of Canada meet. It would give a false picture if Mr. Ross gave us only the number of competitors

at the Dominion of Canada meet, because in order to get there they have to compete in the provincial meets with a larger number of competitors.

The CHAIRMAN: Any further questions on this item?

Now, we come to B of vote 239, military service associations.

Mr. FLEMING: One general question on military service associations. On what basis are the amounts graduated?

The WITNESS: This is based on the usefulness of the organization to national defence.

The CHAIRMAN: Of course, the usefulness is determined by the Department of National Defence at Ottawa.

The WITNESS: They make application and we consider their applications and what they are asking for. The Canadian Army Pay Corps came in as a new organization some years ago and its application was assessed on the size of the force and its usefulness to the Department.

The CHAIRMAN: Who in the department would be making the assessments or passing judgment?

The WITNESS: It would finally be the minister who is responsible.

The CHAIRMAN: But which official of the department would advise the minister?

The WITNESS: The director of the particular corps, in the case of the army.

By Mr. Fleming:

Q. It would not be the same person advising the minister with respect to each association or each club or institute? The formula seems simple enough; one might wonder just how it would work out in exact terms in every case?—A. Well, this has been going on for years.

Q. No change in the amounts?—A. They have been fairly steady for many years. Some of the rifle associations were stopped during the war and started up again after, and it was based on previous experience.

The CHAIRMAN: I wish the members would speak a little lower among themselves and the witness a little higher.

The WITNESS: If you would like to find out if there is a definite formula I would be very glad to oblige.

Mr. FLEMING: I accept your answer, unless there is something to add to it.

The WITNESS: There is nothing to add to it, it is just experience.

By Mr. Pearkes:

Q. Regarding the United Services Quarterly, could the witness tell us whether the Quarterly was published during the year in question? I have tried to get copies of that quarterly in the parliamentary library and have not been successful.—A. I would think from the vote there were no expenditures that year and that it was not published.

Q. I just wanted to find out.

Mr. FLEMING: As a matter of curiosity—

The WITNESS: I am told it is not being published.

The CHAIRMAN: Are there any further questions on these items? We pass now to Votes 240 and 590. Miscellaneous maintenance and adjustments (War of 1914-1918).

By Mr. Thatcher:

Q. Mr. Chairman, find it strange that in this item the increase has been 60 per cent. I wonder if Mr. Ross would explain that.—A. This vote is for the

payment to the Imperial War Graves Commission providing for the erection of headstones on the graves in Canada of deceased members of His Majesty's Forces. It includes the second World War.

Q. No, this only includes the first World War, Mr. Ross.—A. No, you will see in (A) there that it applies to the 1914-18 and the 1939-45 wars.

Q. Well, then, why is it only headed "war of 1914-18" up above?—A. That happens to be the heading that has been carried for a number of years. That should have been extended to read "and 1939-45".

The CHAIRMAN: That is a case where the estimates might be re-worded to give us a true picture.

The WITNESS: There is also included the care and maintenance of war trophies and other exhibits in the Canadian War Museum.

The CHAIRMAN: Are there any further questions on Votes 240 and 590? We come to Vote 241, battlefields, memorials.

The WITNESS: This is Vimy Ridge, and battlefields in France and Belgium.

By Mr. Pearkes:

Q. It does not include the care of Canadian battlefields in Canada?—A. No.

Q. Those are taken care of by the Parks Department?—A. Yes.

The CHAIRMAN: Exchequer Court awards, \$19,613.68. We are now at the top of page N-15. Any questions?

Mr. FLEMING: Mr. Chairman, that seems to be germane to the item on N-8 under damage claims that we were considering, on which Mr. Ross brought us this afternoon the order in council P.C. 43/1880, and the amendment. Probably we could either go into that now or leave it for discussion with the other one.

The CHAIRMAN: Well, you are the one who thought we should leave the other one aside to read it, so that we will leave this aside. Now we come to gratuities to families of deceased employees . . . \$20,499.32.

Mr. FLEMING: Could you give us a word of explanation on that?

Mr. CROLL: It will be in the Act.

By Mr. Fleming:

Q. I understand it will be in the Act but I wonder if we could have a short explanation for the basis of this?—A. These individual items, Mr. Chairman, used to be single votes.

Q. I was not referring to the single items, but just to the heavy faced type above.—A. I have not actually got an explanation of that but I understand these are gratuities paid to families of civil servants who died. They get two months pay.

Q. Those are civilian employees of the department?—A. That is right.

Q. Does that practice prevail in all departments?—A. All departments, yes.

The CHAIRMAN: Maybe you would want to give us a further answer to complete this for the next meeting?

The WITNESS: I will look up the Civil Service Act.

The CHAIRMAN: We pass on now to pensions and other benefits, votes 242 to 248 and 591, civil pensions; vote 827, to authorize the Governor in Council to increase the pension granted to Captain Joseph McNaught McCallum under the Militia Pension Act.

The WITNESS: This is to bring him under the Militia Pension Act. His wife was a member of the services.

The CHAIRMAN: Vote 828. To authorize in respect of members of the Royal Canadian Air Force on leave without pay and serving as instructors with civilian training organizations operating under the British Commonwealth Air Training

Plan who were killed, payment to their dependents of amounts equal to the amount such dependents would have received under the Pension Act as amended and so on.

By Mr. Fleming:

Q. How many such cases are there?—A. I do not know how many there are but I will find out.

Q. There cannot be very many as the expenditure is only \$4,306.06.—A. It is to make up the difference between what they would receive under the Pension Act and what they were getting under the insurance scheme of the British Air Training Plan. They were carried on an insured basis, and it was subsequently found the insurance was not equal to the money they would have received if they were in the service all the time they were on loan to these air training clubs.

The CHAIRMAN: Now, we come to the top of page N-16—annuity to the widow of the late Honourable Norman McLeod Rogers, \$2,500. Militia Pension Act—Payments under Parts I-IV . . . \$4,962,368.03. That is the whole item \$4,962,368.03 under the Pension Act. Any questions?

By Mr. Thatcher:

Q. I wonder if Mr. Ross would explain this pension of Sir Eugene Fiset. I am just not clear on that.—A. Mr. Chairman, I would have to get the file on that. You will notice it was paid under authority of the Department of Justice.

Q. What are the rules? If a man is on the federal payroll can he retire and get a pension, and still go on some other department's payroll and get paid?—A. Generally speaking, no.

Q. Was an exception made in this case?—A. I would have to get the file to get the answer to that.

Q. I would like you to get the file on that, if it is possible.

The CHAIRMAN: I may say there was a judgment rendered by the Supreme Court in the case of former Judge Carroll of the Court of Appeals, who was entitled on retirement to a pension of so much. He was later appointed lieutenant governor of the province of Quebec, and during the time that he was lieutenant governor of Quebec they withheld his pension. Later on his heirs sued and the final judgment of the Supreme Court ordered that his pension be paid during the time he was lieutenant governor, and of something around \$30,000 was paid to his daughters by judgment of the Supreme Court. That was in the case of Judge Carroll.

Mr. THATCHER: It may be that the legislation should be changed in that case. It does not seem fair that when a man gets another government job—

The CHAIRMAN: I do not think a person is considered to be holding a government job when he is the representative of the King in a province.

Mr. THATCHER: Well, the amount of his pay was \$12,000 so it looks like a pretty good job.

The CHAIRMAN: Anyway Judge Carroll was entitled to a pension when he left the court of appeals in the province of Quebec, and as to Sir Eugene Fiset after his service in the Department of National Defence he was entitled to a pension; and then the government felt they were persons dignified enough to become the King's representatives in Quebec. Why should they have lost their rights to their pensions. I am not arguing the case, the judgment of the Supreme Court in the case of Judge Carroll is there.

Militia Pension Act. Any further questions on that?

I referred to the case of Judge Carroll because I was familiar with it, and it is for that reason that I volunteered these remarks. I am sorry.

Any further questions on the item, Militia Pension Act?

Mr. FLEMING: These deductions from pay apply only to permanent service personnel, do they not?

The WITNESS: To the permanent force.

The CHAIRMAN: Transfers of pension contributions, \$49,106.26.

By Mr. Fleming:

Q. Are these pension schemes similar to those prevailing under the Civil Service Commission?—A. Very much the same; the only difference I know is, in the case of service personnel their pension is based on the last six years average. I am speaking about the new Part V. In the case of the Civil Service I think it is a ten-year average, except for those who were in the service prior to some date away back around 1924. Comparing the present pension schemes, that is the only difference.

Q. The period of service to qualify for pension is the same in both cases?—A. Ten years, in both cases.

Mr. PEARKES: Would the amendments introduced in the new Militia Pension Act which was passed last year be reflected in these accounts?

The WITNESS: They will come in next year's accounts.

The CHAIRMAN: Vote 249, Militia Pension Act, Government's contribution to the Permanent Forces Pension Fund, \$9,046,347.00.

Mr. FLEMING: Is there a set proportion for the government's contribution?

The WITNESS: One and two thirds. The serviceman pays six per cent and the government pays ten per cent.

The CHAIRMAN: Are we through on this item?

At this moment, gentlemen, I will ask the Vice Chairman to take the chair as I am having a meeting with the Chairmen of other committees with the idea in mind of trying to arrive at an arrangement by which the committees will not sit at the same time. We have, for instance, on the External Affairs Committee eleven of our members, and we are going to try to arrange it that the meetings will not conflict.

Mr. FLEMING: We wish you success.

The CHAIRMAN: Thank you. I know you are interested because you are one of the members on both committees.

—The Vice Chairman, Mr. David A. Croll, assumed the chair.

The VICE CHAIRMAN: Item 249.

Mr. WRIGHT: Does that include mobilization and reconversion of the services, or does it only include the government's contribution to the pension fund?

The WITNESS: Only the government's contribution to the pension fund.

The VICE CHAIRMAN: "Mobilization and reconversion, departmental administration."

By Mr. Wright:

Q. I wonder if we could have these civil salaries and wages broken down as we had them for the other departments, so that we could know the number of employees and the salary rates. We cannot do very much with just the one statement of: "Civil salaries and wages, \$1,739,088.71".—A. On page N-49 you will find a break-down of all salaries over \$3,000.

Q. On which page is that?—A. On page N-49.

Q. Oh yes.—A. There is an alphabetical list, if you will notice.

Q. Yes, I see.

The VICE CHAIRMAN: "Allotments: Imperial War Graves Commission."

Mr. FLEMING: Are we not taking these other items at the bottom of page N-16, Mr. Chairman?

The VICE CHAIRMAN: Are there any questions on any of the other items?

Mr. FLEMING: "Travel and transportation"; is that an allotment which corresponds exactly to the estimate? I do not think it does. Have you the estimate that was the appropriation for that item?

The VICE CHAIRMAN: While the witness is getting it, Mr. Fleming, are there any other items which are of interest? The question is: What is the vote on travel and transportation?

Mr. FLEMING: Yes.

The WITNESS: Are you speaking of civil salaries?

By Mr. Fleming:

Q. No, I mean the next item.—A. In the appropriation we had \$200,200.

Q. \$200,200?—A. Yes.

Q. What is the difference between the allotment and the expenditure?—A. The allotment is the amount which was allotted by the Finance Department for this particular primary out of the total vote.

Q. It is almost identical, in every case, or within a matter of cents.—A. As a matter of fact, in administration we can run pretty close in the year to our anticipated expenditure. We can transfer from one primary to another in order to meet our actual expenditures.

Q. I was wondering what the actual machinery was, and what the purpose was, or what was served in making this allotment. You start off with your appropriation. You will keep, presumably, within it. But does the Treasury Board, in dealing with these primaries, fix an amount prior to the expenditure, or does this represent an approval of the expenditure?—A. We cannot spend any money at any time beyond that which is allotted by treasury.

Q. So after parliament appropriates a sum for the purpose, the Treasury Board then takes it in hand and makes an allotment?—A. Yes.

Q. And that allotment represents the ceiling under which the Treasury Board raises the amount within the appropriation of parliament?—A. That is correct.

By Mr. Wright:

Q. You are allowed to transfer, let us say, from freight and express to maintenance and repair of property?—A. If that were necessary, yes.

Q. You do have that authority?—A. No, we do not have it. The Treasury Board will make this allotment; they will make the change based on the expenditures that are being made.

By Mr. Fleming:

Q. Were any such transfers made from item to item under the sums appropriated by parliament?—A. It is within the sum voted; it is all in one vote.

Q. During this vote for "Departmental administration"?—A. Yes.

Q. We understand that the details which we receive in the House of Commons are not finally binding; in other words they do not prevent the transfer from one detailed service to another under the general vote. Under that particular item it would be interesting to know how close you came to the details set out in the book of estimates. Some of these amounts are small.—A. The estimates are made up months before.

Q. We know that. We went all over this subject last year.—A. And they are subject to variation all the time. Circumstances arise which necessitate the

employment of additional personnel, for example, and we have to obtain pay and allowances out of the appropriation. We might find an economy in one place which would enable us to do so.

Q. I would be interested to see how close you come to the amounts set forth in the pages of details of the book of estimates.—A. It would be easy, if the department were static. But the way we have been operating since the end of the war, it is pretty difficult to come close to any estimate.

The VICE CHAIRMAN: Anything else on "Allotments: Department Administration"?

By Mr. Fleming:

Q. I see an item entitled "Miscellaneous Stores". Could we have an explanation of it? It is about the eighth line down. What is the nature of it?—A. This would probably be for inspection service stores, and gauges for inspection work.

The VICE CHAIRMAN: Inspection work?

By Mr. Fleming:

Q. Inspection work carried out by civilian personnel of the department?—A. Inspection; for the supply of gauges and the inspection of service equipment. It represents the tools necessary for inspecting ammunition, or electronic equipment, or for use in the laboratory for testing paints, for example.

Q. "Printing, stationery and office equipment, \$86,000 odd." Is some attempt made to exercise any effective control over items of that kind with a view to reduction of expenditures where possible?—A. We do that all the time. We circularize and we check back all the time on all printing and stationery.

The VICE CHAIRMAN: That is what Mr. Fleming first objected to, I mean circularization, using up more paper.

The WITNESS: The only way we can tell people to cut out things is to draw their attention to them; and there is no better way of doing it than to keep on dinning at them all the time.

By Mr. Fleming:

Q. Whose particular task is it to do this dinning?—A. The deputy minister's office, usually.

Q. There is another item of \$41,143 for communication services. Can we have an explanation of that?—A. That covers postage, telephone and telegraph, and cable charges. Public relations and inspection service use some of it, also departmental administration. There is a case in point where we had estimated \$42,600, while the expenditures were \$41,141.

Q. You mentioned "postage". Do you not use the frank in all cases?—A. This is outside of Ottawa. There are inspection services located all over the country.

Q. You also mentioned public relations. What is that item?—A. They come under the administration branch for communications. They come under the civilian administration.

Q. Are these expenditures attached to the public relations officers of the three services?—A. Communications service, yes, for the three services. This would be only in so far as headquarters organization is concerned.

Q. What is the amount under that item, Mr. Ross?—A. \$5,000.

Q. I want to clear that up. We had some testimony at an earlier meeting about the functions of members of the public relations branch, officers attached to headquarters for the three services. These are expenditures which are incidental to their work?—A. These would come within whatever figures you got.

Q. We had testimony as to the number of such officers.—A. This is part of the expenditure of running the organization.

Q. Then may we have some break-down of the last item, "Sundries, \$82,875.95"?—A. The Book of Remembrance comes in that item, and government offices guaranty fund.

Q. Will you pick out the larger amounts?—A. \$19,400 is what we put in for that. I am not sure what the expenditure was, but I shall get it. Government offices guaranty fund, \$6,000. We pay so much to the guaranty fund.

Q. That is a fidelity guaranty?—A. No; it is under the government itself, now; and there is a tri-service recording studio.

Q. A recording studio? What is that?—A. Public relations set up a joint service recording studio for recording anything in connection with the three services. I shall get you some information on it.

Q. What is the amount of that item?—A. It is \$10,000.

Q. I am thinking of the amount of the expenditure?—A. I shall produce that information.

The VICE CHAIRMAN: Very well. You are to get the answer to the "Sundries" item, particularly having to do recording?

Mr. FLEMING: I think the simplest thing would be for Mr. Ross to give us a break-down of the expenditures under that item.

The VICE CHAIRMAN: Very well.

By Mr. Fleming:

Q. On page N-17, the last paragraph under this heading has to do with a defalcation. Has there been recovery in full?—A. I doubt it.

Q. I gather this has been written off, has it?—A. It probably will be written off to deferred claims as an expenditure.

Q. What I want to get clear is the method by which you write it off. Is that going to be done by direct item in your estimates or by parliamentary appropriation. Is that the method, or do you just take it out?—A. No, we have to get approval of Treasury Board before this can be shown as an unrecoverable item.

The VICE CHAIRMAN: It probably will be on that list which should be presented to us very shortly.

Allotments: Imperial War Graves commission.

Mr. PEARKES: Before you go on from that I have one question. How many were employed in that year in the minister's office, and in the deputy minister's office; that comes under civil salaries and wages?

The WITNESS: I will get that information.

The VICE CHAIRMAN: He will bring an answer to that next time, General Pearkes. Is there anything further on that item, Imperial War Graves Commission?

By Mr. Fleming:

Q. I am wondering about the accounting for that item, Imperial War Graves Commission? Is that cost arrived at by the allotment of shares to the various participating countries?—A. Yes.

Q. And does the department apply any accounting check at all?—A. No. We have representation on the Imperial War Graves Commission.

Q. And you simply accept the allotment the commission sets?—A. Canada's share that year happened to be 7.78 per cent of the total. It changes. It will probably be more in the future based on new operations.

The VICE CHAIRMAN: The next item is, allotments: Canadian army—active force. Are there any questions on that, gentlemen?

Reserve force (including Canadian officers training corps).

Mr. PEARKES: Have we got the numbers who were at training camp? Would that be covered by this?

Mr. FLEMING: Mr. Chairman, there is a point about that. The numbers attending camp in 1950 appear on page 349 of proceedings No. 12. That was part of the first of three questions that I asked Mr. Drury. I think the second one is not fully cleared up yet. I am reading from the notes. I think there may be two or three more questions required on that. The third one I understand Mr. Drury is not quite ready with yet.

Mr. DRURY: That is correct.

Mr. FLEMING: I can clear up the second one briefly if you wish me to.

The VICE CHAIRMAN: With Mr. Ross?

Mr. FLEMING: No, with Mr. Drury.

The VICE CHAIRMAN: All right.

Mr. FLEMING: Mr. Drury, my second question was as to the numbers of those who were authorized to attend camp in the year. You gave the number actually attending (this is for reserve army only) officers, 2,595, other ranks, 8,646; a total of 11,241. And now, in the question we had come to the point of comparing that figure with the number on the strength of the reserve army and we came to the conclusion that that was about 25 per cent of the strength authorized at the time; but you also pointed out that the authorized strength of the reserve army was determined by Treasury Board, and that, I think, was 90,000?

Mr. DRURY: A ceiling of 90,000.

Mr. FLEMING: Yes. Then what do you say as to the number of those who were authorized to attend camp, if they had been there and attended, of the number authorized?

Mr. DRURY: The number authorized was no specific number but all those who were on strength—those on the strength of the units were authorized to go to camp.

Mr. FLEMING: And the authorization of 90,000 made by Treasury Board would, if that number had been recruited up to strength, have been authorized to attend summer training camp under that authorization?

Mr. DRURY: Well, I might have to qualify that. If there had been 90,000 on strength in 1949-50 we might not have had sufficient accommodation at camp to take care of that number—the number that could have been authorized.

Mr. FLEMING: You mean authorized, or accommodated?

Mr. DRURY: Accommodated. The question is really rather hypothetical, I think. If we had had 90,000 how many would have been authorized to go to camp is what you're after?

Mr. FLEMING: Yes.

Mr. DRURY: Well, I can only give a somewhat hypothetical answer; if we had had 90,000 on strength we would have endeavoured to see that 90,000 were authorized to go.

Mr. FLEMING: Well, put it this way: You are trying to recruit the reserve army up to a strength of 90,000, and we have been told that was the ceiling set by Treasury Board.

Mr. DRURY: It was the ceiling, but what I have pointed out is that this was not our target; we were endeavouring to recruit 100 per cent officers, warrant officers and N.C.O.'s, and 50 per cent of the men.

Mr. FLEMING: But it was within this figure of 90,000 authorized.

Mr. DRURY: Within the figure of 90,000; but probably the important point about this is that any man who was qualified to go to camp and could go was so authorized to go; no one was refused.

Mr. THATCHER: I don't just get it.

The VICE CHAIRMAN: It follows another question Mr. Fleming was asking along the same line the other day.

Mr. FLEMING: There were three questions I asked, and I am now dealing with number two in my series of questions.

Mr. THATCHER: Oh, yes.

The VICE CHAIRMAN: He will be finished in a minute.

Mr. FLEMING: The answer to the first question appears at page 349 of our proceedings number 12. The second question is the one I am trying to clear up now, and on the third one Mr. Drury has not the answer available as yet.

Mr. THATCHER: Oh, I see.

The VICE CHAIRMAN: Have you anything more?

Mr. FLEMING: I have one question on the table on page 3—

The VICE CHAIRMAN: Let us not get into the table now. At the moment we are on this. We will get back to the table when we have an opportunity.

Mr. FLEMING: I think you had better let me finish this question while I am on it.

The VICE CHAIRMAN: All right.

Mr. FLEMING: I notice that under one heading here you show the camp attendance, reserve forces 1950. I was wondering about that 1950. Would that be the summer camp of 1950, or for the fiscal year 1949-50?

Mr. DRURY: I am sorry, this is in the summer of 1950 which is in fact a fiscal year later than you asked for.

Mr. FLEMING: Yes, it should be the fiscal year 1949-50, which in fact would be the summer of 1949.

Mr. DRURY: That is right.

Mr. FLEMING: We haven't got the figures for the reserve for that summer. Are the figures readily available for the summer camp of 1949, Mr. Drury?

Mr. DRURY: They are, and with the permission of the chairman I would like to substitute the table relating to the summer of 1949 for the one shown here.

The VICE CHAIRMAN: I do not think you could substitute but you can add. I do not think it can be withdrawn. Does it make any difference?

Mr. DRURY: The total is different.

The VICE CHAIRMAN: No, no; is it important that this table should not appear on the record?

Mr. DRURY: Well, merely that previously the chairman had ruled—

The VICE CHAIRMAN: Aside from that is there any security reason?

Mr. DRURY: No.

The VICE CHAIRMAN: There is no security reason?

Mr. DRURY: No.

The VICE CHAIRMAN: It was merely a case of misunderstanding?

Mr. DRURY: Yes.

The VICE CHAIRMAN: I do not see any objection to leaving it on the record.

Mr. ROBINSON: It has received a fair amount of publicity now anyway.

The VICE CHAIRMAN: Have you the other table ready for us now?

Mr. DRURY: If it is desired.

Mr. FLEMING: Put it in for 1949.

The VICE CHAIRMAN: We will file it as an exhibit.

Mr. FLEMING: Is it in the same form as this?

Mr. DRURY: No, I think it only gives the total figures, 10,204; but unfortunately it is not broken down as this one is by corps.

Mr. FLEMING: It would not be very difficult, surely, to break it down by corps?

The VICE CHAIRMAN: Yes; break it down for our next meeting, can you do that?

Mr. DRURY: Yes.

The VICE CHAIRMAN: Thank you.

Mr. DRURY: Mr. Chairman, what I can do is have it broken down, hand it in to the clerk, and it will be printed.

The VICE CHAIRMAN: That is right, Mr. Drury.

Mr. PEARKES: Would it be possible, when you are breaking that down, to show where the camps were instead of simply showing R.C.A.? Some of the R.C.A. have gone to Shilo and others have gone to Petawawa. It would give us a clearer picture as to the size of the various camps if it were done that way rather than by units.

Mr. DRURY: That would be possible in respect of the main camps, General Pearkes, but there are a number of local camps. If you want it in relation to the main camps we can do that quite easily.

The VICE CHAIRMAN: Would that be satisfactory, gentlemen?

Mr. PEARKES: Yes, I think we are not concerned with the little local camps which one unit went to.

Mr. FLEMING: Your observations about those authorized to go would be the same for the summer of 1949 as you have already stated with respect to this table on page 349?

Mr. DRURY: That is correct.

Mr. FLEMING: That figure of the 90,000 ceiling fixed by the Treasury Board antedates the summer of 1949?

Mr. DRURY: 1947—that is right.

See Addendum: Camp Attendance Reserve Force 1949-50

The VICE CHAIRMAN: Gentlemen, let us get back. We have just finished the graves and we were on the active army or rather allotments for the reserve army on page N-17.

Mr. FLEMING: We had not dealt with this other one?

The VICE CHAIRMAN: I called it but there were no questions then. Are there now?

Mr. PEARKES: What was it?

The VICE CHAIRMAN: Page N-17, "allotments: Canadian army—active force". There were no questions, so I passed on to the reserve.

Mr. FLEMING: Well, number "C", freight and express, includes freight and express on furniture and effects. Whose furniture and effects are those? Are those persons from Commands being moved about?

The WITNESS: Personnel being moved from station to station.

The VICE CHAIRMAN: "Allotments: Canadian army—reserve force (including Canadian officers' training corps)".

Mr. THATCHER: I wonder if Mr. Ross would tell me where the Saskatchewan allotment is in this thing?

The VICE CHAIRMAN: Mr. Ross only explains what is in here and not what is not here.

Mr. THATCHER: Does that mean there was nothing for Saskatchewan in here?

The WITNESS: Well, you are only dealing with certain things. If you will look on page N-23 you will find some items.

The VICE CHAIRMAN: We cannot—

By Mr. Thatcher:

Q. I notice Saskatchewan is the only province not listed for this particular item we are dealing with. I was wondering whether that was an error or whether there was just nothing spent.—A. There would be some expenditures in Saskatchewan.

Q. Can you tell me where?—A. I said N-23. There is an item there. Dundurn has married quarters. This is only a small item with reference to the acquisition and construction of properties.

Mr. WRIGHT: Would that indicate there were no reserve forces that went to camp in Saskatchewan that year?

The WITNESS: I am afraid not—I will check that. There were some.

This means just that there was no construction for the reserve force that year. A camp was run, I understand, for the summer of 1949.

Mr. WRIGHT: There was no construction work done at the camp?

The WITNESS: No. For the reserve force—

By Mr. Fleming:

Q. I did not realize you were moving on to the reserve army. I have a question under travel and transportation for the active force. In note "B", I see travelling expenses and allowances to civilian personnel, \$64,000 odd. There are other items making a total of \$2,682,000. Was any of this for travel outside of Canada?—A. It might be.

Q. On what occasion would that be, because this was the year before Korea and I take it—A. There would be very little—you mean for service personnel?

Q. Or civilian personnel.—A. There would be very little outside of Canada.

Q. On what occasions would civilian personnel have to travel outside of Canada?—A. To the United States or to England.

Q. For what?—A. On courses—

Q. Civilian personnel?—A. No.

Q. I am asking for civilian personnel.—A. Civilian personnel go to the United States. If I go to the United States that would be charged. If you had a civilian in a department or branch of the service who was going down on say equipment, his civilian personal travel would be included in that. The bulk of this, I am sure, is in Canada.

Q. That is what one would expect but have you, in your accounting, any readily available breakdown showing the amount spent for travel outside of Canada?—A. I could get that for you. We have not got it handy but I could get it. It is not broken down that way; it is just in bulk.

Q. Is it very difficult?—A. I will look and see. What you would like is how much was outside Canada?

Q. Yes, what is outside Canada, and if you have it, for civilian personnel on the one hand as against service personnel.

The VICE CHAIRMAN: "Allotments: Canadian army—reserve force".

Mr. PEARKES: Before you go on with that can you tell me how much money was spent on reserve army personnel going to India or Pakistan during that year?

Mr. CROLL: Reserve army?

The WITNESS: There were only a few—you mean those special officers?

By Mr. Pearkes:

Q. Yes.—A. I can get the figures. We gave an answer already, did we not? I am not sure but what that has been answered already in the House.

Q. You gave the names of those who went?—A. And their expenses.

The VICE CHAIRMAN: If it is you will refer to it?

Mr. PEARKES: If it is difficult to get it, it does not matter.

The VICE CHAIRMAN: Are there any other questions on the item at the bottom of page N-17?

By Mr. Fleming:

Q. I have a similar question on travel and transportation for the reserve forces. Was any of that outside Canada?—A. No, I would say all of that was inside Canada.

Q. No portion of civilian personal expenses and allowances is charged up to this item?—A. No.

The VICE CHAIRMAN: We are now down to the bottom of page N-19—"allotments: Canadian army cadets".

Allotments: Canadian army—general.

By Mr. Fleming:

Q. For these items which follow on pages N-20 and N-21, your headings suggest that they are items of expenditure for the purpose of acquiring new properties. Is that true in all cases?—A. No, construction and purchase—you will notice it gives the details below. Under "Nova Scotia", you will see water supply—

Q. There is no maintenance here?—A. No.

Q. It is acquisition of property or construction of new buildings?—A. Maintenance is shown above that—4,700,000.

The VICE CHAIRMAN: Operating expenses—

The WITNESS: First of all you have got rental of buildings and properties, \$461,273; then operating expenses of properties, \$4,744,149, and the rest is acquisition and construction of properties.

The VICE CHAIRMAN: That item carries over into N-27 gentlemen.

The WITNESS: N-24.

The VICE CHAIRMAN: Oh, yes. Is there anything within the scope of those pages that is of interest?

Mr. WRIGHT: "Canadian army—general" includes all these pages here? I notice, as far as Saskatchewan is concerned, and Dundurn, that there is only one married quarters constructed there, and there has been very little construction work. Is it the intention to continue with that camp or is it so well built there is no need for further construction?

The WITNESS: It will still be continued but it is in pretty good shape. The province has one building in use if you will remember—they have the main administration building.

Mr. THATCHER: Mr. Chairman, I notice at various point; there have been sums spent for landscaping.

The VICE CHAIRMAN: Put your finger on one.

Mr. THATCHER: N-21, 3530 Atwater Avenue, \$18,000.

Mr. FLEMING: The third item.

The VICE CHAIRMAN: Yes, landscaping the headquarters.

Mr. THATCHER: What would that be?

The VICE CHAIRMAN: The annex to building.

Mr. FLEMING: No, the next item, \$5,000.

The VICE CHAIRMAN: \$5,000 for landscaping?

The WITNESS: Well, at the end of the war we had a number of buildings at Atwater avenue. They were ordinary wooden buildings and part of the undertaking, or part of the agreement with the city to permit us to remain in those buildings, was that we would fix not only the surrounding territory, the ground and all that sort of thing, but that we would brick the buildings to conform with the fire regulations.

By Mr. Thatcher:

Q. The bricking of the buildings would be included in these figures?—

A. No, that was done, I think, before. This is the final clean-up of landscaping the terrain that was disturbed during the building of the brick work and laying of pipes and all that sort of thing. You will find it in all the camps especially in any big camp. Ditches are dug for pipes and roads and these have all got to be put into shape after we are through, and this landscaping covers quite a wide field.

Q. I see.—A. It is not what really might be called landscaping such as is done by the Federal District Commission.

By Mr. Fleming:

Q. Mr. Chairman, my questions are rather general at this point on these various items. Did the department carry on any of this work itself, such as the construction of new buildings, for instance, or the installation of such things as heating systems, laying of asphalt in the course of re-surfacing parade grounds and all that sort of thing? Was any of that done by the department through its own personnel or was all this work carried on under contract with outside organizations?—A. Well, some of the work, Mr. Chairman, was done by the Canadian Engineers with day labour, but to find out just exactly what part of it, I would have to make an analysis. These expenditures here, in which we employ contractors, are reflected in the details of the contractors' accounts at the back of our report. We had quite a lot of construction. We started out, as a matter of fact, to do the married quarters at Borden but subsequently we required a larger number of married quarters and we had to get outside help to do that.

Q. When you do that do you depart entirely from the practice of having the army engineers do the construction?—A. No, they still do some construction work with day labour. Maintenance is done by the engineers.

Q. All maintenance is done by the engineers?—A. Most of it, quite a lot.

Q. I am not anticipating any questions there may be on items starting at page N-25 but may we take it in general that army engineers do all the repair work?—A. They do quite a bit. They cannot do it all as they have not enough engineers.

Mr. BENIDICKSON: Mr. Chairman, have we got a quorum at the present moment?

The VICE CHAIRMAN: Now that you have called my attention to it, you are right. We have not a quorum. Besides it is a quarter to six.

Mr. WRIGHT: Before we adjourn, Mr. Chairman, I wanted to ask if it is possible to have some of the forms or types of contracts which the Canadian Commercial Corporation used during the year 1949-1950, filed with the committee so that when we reach that item we will have these contract forms and

know something about them. At several points during our discussion to date on these items we have been told that this can be brought up only under the Canadian Commercial Corporation. These items we are dealing with now: much of this construction was let by the Canadian Commercial Corporation through contract, and I would like, if possible, to have the various forms of contracts used by the Canadian Commercial Corporation during the year under discussion filed with the committee so we can study them.

The VICE CHAIRMAN: There should not be any difficulty about getting the ordinary forms from the Canadian Commercial Corporation.

Mr. CAMPNEY: If we are going to have these forms brought in there will be questions asked about them, so would it not be advisable to have an official present?

Mr. WRIGHT: I just want them filed so that when the Canadian Commercial Corporation comes before the committee we will have them.

The VICE CHAIRMAN: That will be done and we can file them as an appendix. There will be no questioning on the forms when they are filed.

Mr. WRIGHT: No, but I think it will save time when the Canadian Commercial Corporation comes before us.

The VICE CHAIRMAN: Have you anything else to say, Mr. Drury?

Mr. DRURY: No.

The VICE CHAIRMAN: Then we will adjourn.

The committee adjourned.

APPENDIX "A"

P.C. 43/1880

Certified to be a true copy of a Minute of a Meeting of the Treasury Board, approved by His Excellency the Governor General in Council, on the 14th May, 1947.

Justice

The Board had under consideration the following memorandum from the Right Honourable the Minister of Justice:

"The undersigned has the honour to recommend that the following Order be made:

Order

1. This Order may be cited as the National Defence Claims Order, 1947.
2. In this Order, unless the context otherwise requires,
 - (a) "Minister" means the Minister of National Defence,
 - (b) "Deputy Minister" means the Deputy Minister of National Defence,
 - (c) "Department" means the Department of National Defence,
 - (d) "officer or servant of the Crown" means an officer or member of the Naval, Military or Air Forces of Canada, or an employee of the Department, and
 - (e) "Negligence of a minor character" means that, in the opinion of the Deputy Minister of Justice or the Judge Advocate-General, as may be required by this Order, the facts as disclosed indicate only a slight degree of negligence and do not involve recklessness, undue carelessness or intentional commission of a wrongful act or an intentional omission to perform a legal duty.
3. Every claim against the Crown arising out of any death or injury to the person or to property alleged to result from the negligence of any officer or servant of the Crown while acting within the scope of his duties or employment shall be dealt with under this Order.
4. (1) When the Department becomes aware that circumstances have arisen that may give rise to a claim against the Crown, it shall cause an immediate investigation to be made thereof in such manner as the Judge Advocate-General, by specific or general direction, may direct, notwithstanding that Naval, Military or Air Force regulations require that an investigation be carried out in the manner therein stated.
 - (2) In the course of the investigation there shall, insofar as appropriate and possible, be obtained
 - (a) an exact statement of the duties of every officer or servant of the Crown involved,
 - (b) a statement establishing whether or not every officer or servant of the Crown involved was on duty and acting within the scope of his duties or employment at the time of the alleged occurrence.

- (c) a statement from every officer or servant of the Crown involved setting forth the circumstances of the alleged occurrence as he knows them and whether or not he was acting within the scope of his duties or employment at the time,
- (d) a statement from every other person having any knowledge of the circumstances,
- (e) a copy of every report made to or by the Police or local authorities in connection with the circumstances giving rise to the claim,
- (f) such plans, sketches or photographs as may be necessary to understand the exact nature of the occurrence, and
- (g) all other material or information of any kind whatsoever that might assist in determining whether the Crown is liable.

(3) The Department shall, if necessary, obtain the assistance of the Royal Canadian Mounted Police for the investigation.

(4) Where Naval, Military or Air Force Regulations require an investigation to be made in respect to a claim dealt with by this Order, that investigation need not be made unless the Naval, Military or Air Force officer in command or other service authority concerned, considers it necessary for some other purpose than to comply with this Order and if made, that investigation shall be separate and distinct from the investigation required by subsection one of this section unless the Judge Advocate-General otherwise directs.

(5) All material obtained on an investigation made pursuant to this Order shall be forwarded to the Judge Advocate-General in such manner as he shall from time to time direct and he may direct such further investigations as he deems necessary.

5. Where the combined amount of all claims arising out of deaths or injuries to the person or to property that are alleged to have resulted from any alleged negligence does not exceed five hundred dollars, the Judge Advocate-General may express an opinion

- (a) whether or not there is any legal liability on the part of the Crown,
- (b) if there is liability, whether the claim should be settled in full or an endeavour made to effect a compromise,
- (c) if the officer or servant of the Crown involved has been identified, whether or not he is legally liable to reimburse the Crown in respect of the liability, and
- (d) if there is liability, whether the negligence was of a minor character and the reasons why the negligence was not considered to be of a minor character if that is his opinion.

and, in any case where the Judge Advocate-General does not express an opinion under this section, it shall be referred to the Deputy Minister of Justice for his opinion on the aforesaid questions.

6. Where the Deputy Minister of Justice or Judge Advocate-General, as the case may be, has given an opinion to the effect that there is no legal liability on the part of the Crown, the Department shall so advise the claimant and deny all liability with respect to the claim.

7. Where the Deputy Minister of Justice or Judge Advocate-General, as the case may be, has given an opinion to the effect that the Crown is legally liable but that the claim is excessive, the Department shall communicate, without prejudice, with the claimant and endeavour to arrange a settlement in accordance with his advice or subject to his approval.

8. If the Deputy Minister of Justice or the Judge Advocate-General, as the case may be, has given an opinion to the effect that there is legal liability on the part of the Crown and that the claim or any part thereof should be paid

- (a) when the claim is one upon which the Judge Advocate-General has or might have given an opinion under this Order, the Chief Treasury Officer in the Department shall, upon the authority of the Deputy Minister, make the payment to the claimant in full settlement of his claim, and
- (b) in any other case application shall be made to the Treasury Board for authority to make the payment.

9. Except in the case of a claim arising from an incident in which one of His Majesty's ships was involved, where, in the opinion of the Deputy Minister of Justice or Judge Advocate-General, as the case may be, an officer or servant of the Crown is legally liable to reimburse the Crown and the negligence involved is not of a minor character, the Treasury Board or Deputy Minister, as the case may be, when authorizing payment of the claim shall at the same time order that the officer or servant make reimbursement and after the claim has been paid in whole or in part a demand shall be made in the manner hereinafter provided upon the officer or servant for reimbursement to the following extent;

- (a) where the amount paid is twenty-five dollars or less, the full amount paid,
- (b) where the amount paid is more than twenty-five dollars and not more than one hundred dollars, one-half of the amount paid or twenty-five dollars whichever is the greater,
- (c) where the amount paid is more than one hundred dollars and not more than three hundred dollars, one-third of the amount paid or fifty dollars whichever is the greater,
- (d) where the amount paid is more than three hundred dollars and not more than five hundred dollars, one-quarter of the amount paid or one hundred dollars, whichever is the greater, and
- (e) where the amount paid is more than five hundred dollars, one-fifth of the amount paid or one hundred and twenty-five dollars, whichever is the greater,

or for such lesser amount as the Treasury Board may order.

10. A demand under this Order on an officer or servant of the Crown shall be made and enforced in accordance with the following procedure:

- (a) the Judge Advocate-General shall forward to the Department a statement setting out the reasons why the negligence of the officer or servant of the Crown concerned is not considered to be of a minor character,
- (b) the appropriate officer shall then cause a written demand to be sent to the officer or servant of the Crown concerned incorporating therein the aforesaid reasons,
- (c) such demand shall require the officer or servant, if he is an officer or member of the Naval, Military or Air Forces of Canada to show cause, within seven days after the receipt by him of the demand, why he should not be put under stoppages of pay, allowances or other emoluments to reimburse the Crown in the amount so demanded,
- (d) unless otherwise ordered by the Treasury Board, if the officer or servant, other than an officer or member of the Naval, Military or Air Forces of Canada, fails within a reasonable time to arrange for the payment of the amount so demanded, the matter shall be referred

- to the Deputy Minister of Justice with a request that he recommend what legal steps should be taken in order to enforce payment, and
- (e) if the officer or servant of the Crown, being an officer or member of the Naval, Military or Air Forces of Canada, fails within the aforesaid period of seven days to show cause why he should not be put under stoppages as aforesaid, or if purporting to show cause, the reasons which he has advanced are not considered by the Deputy Minister to warrant the said officer or servant not being placed under stoppages as aforesaid, or if after further investigation, the Deputy Minister does not consider that satisfactory cause has been so shown, the Deputy Minister may make such Order as to him seems just for the stoppages of all or any part of the pay, allowances and other emoluments granted to or in respect of the officer or servant for the purpose of paying the amount so demanded; or where the officer or member of the Naval, Military or Air Forces of Canada on whom the demand is made has left the Service, he may refer the matter to the Deputy Minister of Justice for his advice as to what legal steps should be taken to enforce payment.

11. The provisions of Order in Council P.C. 80/1045 dated the nineteenth day of March, nineteen hundred and forty are not applicable to a claim dealt with by this Order.

12. This Order is effective as of the first day of April, nineteen hundred and forty-seven."

The Board concur in the above report and recommendation, and submit the same for favourable consideration.

(Sgd.) A. D. P. HEENEY,
Clerk of the Privy Council.

APPENDIX "B"

P.C. 254½/2727

Certified to be a true copy of a Minute of a Meeting of the Treasury Board, approved by His Excellency the Governor General in Council, on the 28th May, 1949.

Treasury Board

The Board recommend that Order in Council P.C. 43/1880, of May 14, 1947 (National Defence Claims Order, 1947) be amended by adding to section 5 thereof the following Subsection:

(2) When a claim against the Crown arising out of the negligence of an officer or servant of the Crown has been paid after judgment of a court or otherwise when no opinion has been expressed by the Deputy Minister of Justice or the Judge Advocate General under both paragraph (c) and paragraph (d) of subsection one of this section, the matter shall be referred to the Deputy Minister of Justice or the Judge Advocate General for an opinion under those paragraphs.

(Sgd.) N. A. ROBERTSON,
Clerk of the Privy Council.

The Honourable
The Minister of National Defence

APPENDIX "C"

DEPARTMENT OF NATIONAL DEFENCE
ADVANCE PAYMENTS TO CONTRACTORS—1949-50
STANDING AS AT MARCH 31, 1950

Contractor	Amount of Contract		Amount of Advance	Amount Outstanding March 31, 1950
Rolls-Royce Ltd	\$ 432,510.91	(1948-49)	\$ 42,207.60	\$ 5,313.22
		(1949-50)	797.51	797.51
Government of U.S.A.	495,000.00		495,000.00	495,000.00
British Aeroplane Engines Ltd. ...	255,553.61		117,761.96	45,304.56
Canadair Ltd.	30,262,890.00		3,646,500.00	3,646,500.00
Canadian Marconi Co.	501,148.56		200,000.00	200,000.00
De Haviland Aircraft of Canada ..	1,189,378.73		250,000.00	67,636.13
" " " " ..	518,165.58		122,788.00	81,858.65
" " " " ..	152,437.23		25,781.00	14,227.83
" " " " ..	301,643.07		42,477.42	39,605.47
Upton Bradeen & James Ltd.	712,259.71		234,800.88	234,800.88

ADDENDUM

(Being an addition to Appendix "B" to Minutes of Proceedings and Evidence of Thursday May 10—Volume 12, page 349.)

ALLOTMENT OF TRAINING TIME CANADIAN ARMY RESERVE FORCE—1949-50

The allotment of training time was as detailed hereunder:

- (a) A training period of 30 days is authorized for all ranks.
- (b) Of the 30 days authorized in sub-para (a) above, 10 days may be spent at annual camps by 11,000 all ranks.

Note: It is not intended to restrict the attendance at camps for each Command. If Command allotments are to be exceeded, Commands will inform Army Headquarters accordingly.

- (c) An additional 15 days training time is authorized for 26,900 all ranks divided proportionately among Commands. This period is specifically allotted for the training of officers, NCOs and selected other ranks, i.e., tradesmen and key specialists.
- (d) The following training may be conducted in addition to that authorized above but is subject to approval in detail by Army Headquarters. Pay for this training must be found from within Command allotments for 1949/50 which is based on that provided for training in sub-paras (a) and (c) above.
 - (i) attendance at Active Force Schools of Instruction.
 - (ii) attendance at or participation in special training, demonstrations and exercises.
 - (iii) attendance or instructing at courses conducted at Local Headquarters.
 - (iv) administrative work in furtherance of unit training.

CAMP ATTENDANCE, BY CORPS, RESERVE FORCE, 1949-50

	Offrs	ORs	Total
RCAC	308	1,110	1,418
RCA	721	2,551	3,272
RCE	40	337	377
RC Sigs	69	244	313
RCIC	724	2,945	3,669
RCASC	114	356	470
RCAMC	44	191	235
RCOC	23	53	76
RCEME	16	169	185
RCDC	1	....	1
C Pro C	12	77	89
C Int C	34	65	99
Total	2,106	8,098	10,204

STANDING COMMITTEE

CAMP ATTENDANCE, BY CAMPS, RESERVE FORCE, 1949-50

Camp	Command	Ofrs	ORs	Total
Esquimalt, B.C.	Western	128	314	442
Chilliwack, B.C.	Western	21	144	165
Wainwright, Alta.	Western	135	681	816
Dundurn, Sask.	Prairie	136	374	510
Shilo, Man.	Prairie	82	229	311
Petawawa, Ont.	Central	910	3,624	4,534
Picton, Ont.	Central	250	790	1,040
Barriefield, Ont.	Central	58	208	266
Valcartier, P.Q.	Quebec	222	1,004	1,226
Utopia, N.B.	Eastern	164	730	894
Total		<u>2,106</u>	<u>8,098</u>	<u>10,204</u>

Canada's Public Accounts, Standing
Committee on, 1951

SESSION 1951

HOUSE OF COMMONS

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Government
Publications

STANDING COMMITTEE

ON

PUBLIC ACCOUNTS

CHAIRMAN—MR. L. PHILIPPE PICARD

MINUTES OF PROCEEDINGS AND EVIDENCE

No. 15

TUESDAY, MAY 22, 1951

WITNESSES:

Mr. C. M. Drury, C.B.E., D.S.O., E.D., Deputy Minister of National
Defence.

Mr. A. Ross, C.M.G., Associate Deputy Minister.

OTTAWA
EDMOND CLOUTIER, C.M.G., O.A., D.S.P.
PRINTER TO THE KING'S MOST EXCELLENT MAJESTY
CONTROLLER OF STATIONERY
1951

MINUTES OF PROCEEDINGS

HOUSE OF COMMONS, Room 430.

TUESDAY, May 22, 1951.

The Standing Committee on Public Accounts met at 11.00 o'clock p.m. The Vice-Chairman, Mr. David A. Croll, presided during the greater part of the meeting and in the closing minutes, the Chairman, Mr. L. Philippe Picard, then being present, took the chair.

Members present: Messrs. Anderson, Ashbourne, Blue, Boisvert, Browne (*St. John's West*), Campney, Cavers, Croll, Fleming, Fraser, Fulton, Gibson, Helme, Major, Nowlan, Pearkes, Picard, Richard (*Gloucester*), Robinson, Sinclair, Thatcher, Wright.

In attendance: Mr. C. M. Drury, C.B.E., D.S.O., E.D., Deputy Minister of National Defence; Mr. A. Ross, C.M.G., Associate Deputy Minister.

The Committee resumed consideration of the public accounts, relative to the Department of National Defence, for the fiscal year ended March 31, 1950.

The Vice-Chairman informed the Committee that a return, completing Appendix "B" to Minutes of Proceedings and Evidence of Thursday, May 10, Vol. 12, page 349, had now been printed in Vol. 14, page 405.

In accordance with a request by Mr. Wright, a distribution was made of mimeographed copies of the following forms of Canadian Commercial Corporation:

- (i) Firm Price Construction Contract Form C.C.C. 35-1;
- (ii) Cost Plus Construction Contract Form C.C.C. 43.

The adjourned examination of Messrs. Drury and Ross was resumed.

The witnesses tabled documents requested by the Committee which were ordered printed as Appendices to the day's Minutes of Proceedings and Evidence as follows:

By Mr. Ross

Appendix "A"—Extract from The Canadian Almanac, for the years 1949 and 1950, respecting the Arctic Institute of North America.

Appendix "B"—Survey of Rifle Associations activities, 1949-1950.

Appendix "C"—Breakdown of item described as Sundries Allotments; Departmental Administration, appearing on Page N-16 of Public Accounts.

Appendix "D"—Return concerning Government officials travelling outside of Canada.

By Mr. Drury

Appendix "E"—Enrolments into the Active Forces from the Reserve during 1947-48, 1948-49 and 1949-50.

Appendix "F"—Summary of Competitions—Canadian Army Reserve Force, 1949-50.

Other questions asked of the witnesses at previous meetings were answered verbally.

Mr. Ross was questioned at length with respect to other items of Public Accounts under study, and was asked to prepare detailed statements in respect of some of these. The witness indicated he would undertake to supply such information at the earliest possible date.

And the examination of Messrs. Drury and Ross still continuing; the said examination was adjourned to the next meeting.

At 12.35 o'clock p.m., on motion of Mr. Robinson, the Committee adjourned to meet again at 11.00 o'clock a.m., Thursday, May 24.

ANTOINE CHASSÉ,
Clerk of the Committee.

MINUTES OF EVIDENCE

HOUSE OF COMMONS,
MAY 22, 1951.

The Standing Committee on Public Accounts met this day at 11 a.m. The Vice-Chairman, Mr. David A. Croll, presided.

The VICE-CHAIRMAN: Order, gentlemen.

I just wish to call your attention to public accounts report No. 14. There was a question asked by Mr. Fleming, on page 393, with respect to attending camp, training and similar matters. The answer to that is now on page 405. There was another question asked by Mr. Wright, with respect to the Canadian Commercial Corporation.

Mr. FLEMING: And, Mr. Chairman, there was a question asked by Mr. Pearkes, on page 406 of the same date.

The VICE-CHAIRMAN: Yes, with regard to rifle association. That is another matter. The question asked by Mr. Wright, on pages 398 and 399, was one dealing with the Canadian Commercial Corporation, forms of contract. Several copies of those forms of contract are available here in mimeograph form. While copies of these forms are being distributed I may say that the first is a copy of firm price construction contract form CCC-35-1, of which there are 30 copies; and there are 30 copies of cost plus construction contract form CCC-43. I will put a copy of each of these on the record and in the meantime the others can be passed around.

Mr. FLEMING: Mr. Chairman, that looks like a pretty bulky document. Probably it would be easier for us to read it in the form in which it is now prepared rather than have it put on the record. Have we enough copies of it to go around without actually printing it? It was Mr. Wright's question and it would appear to involve quite a large amount of printing.

Mr. THATCHER: We don't need to have it printed.

The VICE-CHAIRMAN: We do not need to have it printed?

Mr. THATCHER: No.

The VICE-CHAIRMAN: Then the clerk will have it passed around. There are enough copies for everyone.

Mr. A. Ross, Associate Deputy Minister, Department of National Defence, called:

The VICE-CHAIRMAN: Now, there are a number of questions to be answered. There was a question asked about the Arctic Institute of North America. We have an answer to that which I am tabling.

(Appendix A—The Arctic Institute of North America.)

The VICE-CHAIRMAN: Then there was a question with respect to damage claims. Can you answer that question, Mr. Ross?

The WITNESS: This is one of the claims which will be found on page N-8 of Public Accounts, the payment to Roy Lobb and Lydia Lobb, of Beattie, Saskatchewan, in the sum of \$15,000; that has reference to a vehicle accident in Saskatchewan in which the vehicle was damaged and a civilian was injured. It is a negotiated settlement.

The VICE-CHAIRMAN: What is the other one?

The WITNESS: The number of claims under \$5,000 is 635; the total amount involved was \$93,597.58.

The VICE-CHAIRMAN: The next is the questions asked by Mr. Pearkes with respect to the Dominion Rifle Association.

The WITNESS: I will table that, but there is one comment I would like to make: the total association membership was 8,168, made up of 2,011 provincial and 6,157 military. We have shown here the ammunition allotment to the dominion and provincial associations. The bisley team is active force for the purpose of the exercise and the pay and allowances are paid by the Department of National Defence in addition to the \$60,000 paid the Dominion of Canada Rifle Association. The entire travelling expenses of the bisley team are paid by the Dominion of Canada Rifle Association. Also, the travelling expenses for the annual meeting of the Dominion of Canada Rifle Association are paid out of the grant to the Dominion of Canada Rifle Association.

Mr. PEARKES: Does that return also give the numbers and the membership of the bisley team?

The WITNESS: It gives the numbers, also the attendance at the annual meetings of the provincial associations.

Mr. PEARKES: I am not interested in the membership because that depends on whether you buy sweep-stake tickets or not.

(Appendix B—Survey of Rifle Association activities—1949/50)

The VICE-CHAIRMAN: Then, on page N-15, there was a question with respect to exchequer court awards. Have you the answer to that?

The WITNESS: The answer is that these are cases settled in the Exchequer Court as distinct from negotiated settlements under PC-43/1880 on page N-8.

The VICE-CHAIRMAN: Then there was another question on N-15, gratuities to families of deceased personnel.

The WITNESS: This is under the Civil Service Act, chapter 22, which provides that if a person dies while in the civil service after having had at least two years in the service an amount equal to two months of his salary shall be paid to his widow or to such person as the Treasury Board determines. The number paid in the fiscal year ending March 31, 1950 was 55.

The VICE-CHAIRMAN: Then, on N-15, the number of cases involved in vote 828.

The WITNESS: The number of cases involved in this instance is 14.

The CHAIRMAN: Can you explain?

The WITNESS: Fourteen members of the Royal Canadian Air Force were killed while on leave without pay serving as instructors with civilian training organizations operated under the B.C.A.T.P.

Mr. FLEMING: Have you the average award in each of these cases? It must have been quite small.

The WITNESS: It is, proportionately; about \$300. That is in addition to the payment made under the insurance plan.

The VICE-CHAIRMAN: N-16 refers to the Sir Eugene Fiset claim.

The WITNESS: This is a ruling by the Deputy Minister of Justice:

“DEPARTMENT OF JUSTICE
CANADA

OTTAWA, December 12, 1949.

141,041

Re: Petition of Right of
Sir Eugene Fiset

Dear Sir:

The litigation in the case of the Petition of Right of Carroll et al. may now be regarded as concluded and the effect of the decision is that a pensioner of the Federal Government who is appointed to be the Lieutenant-Governor of a province, is not thereby to be regarded as employed in the public service of Canada. Consequently Sub-section 12 of Chapter 4 of the Militia Pension Act is not applicable in the case of Sir Eugene Fiset, and it would be now in order to pay to him the balance of pension less proper deductions.

Yours truly,

(Sgd.) F. P. Varcoe,
Deputy Minister.”

The Deputy Minister,
Department of National Defence,
Ottawa, Ontario.

The VICE-CHAIRMAN: N-16 is departmental administration sundries. I have a table here dealing with that. We will table it.

Appendix C—Departmental Administration Sundries

The VICE-CHAIRMAN: Then on page N-16, D.N.D. headquarters—administration civilian; the numbers employed in the minister's office and in the office of the deputy minister.

The WITNESS: That was tabled and it will be found on page 231 of the public accounts minutes of proceedings and evidence No. 8, of April 26.

The VICE-CHAIRMAN: Then, on N-17, travel outside Canada.

The WITNESS: A return was tabled in the House of Commons in reply to a question by Mr. Diefenbaker giving the numbers, by months; and this shows a total of 565 active forces and 247 civilian; and the total expenditure is \$167,343.19.

Mr. FLEMING: Did you say that was a return tabled in answer to a question asked by Mr. Diefenbaker in the House?

The VICE-CHAIRMAN: Yes.

By Mr. Fleming:

Q. This I take it is for the 12 month period under review?—A. Yes, the fiscal year 1949-50.

Q. I understand also that it does not include any military, naval or air force attachés?—A. Oh no, there are no embassy or diplomatic officials there, that is only for service personnel authorized to travel outside of Canada.

Q. That means about a thousand persons, military and civilian personnel, travelled outside of Canada in this 12 month period on business for the department?—A. Mostly technicians. In the case of the navy they go to the United States and the United Kingdom to study and observe new techniques in defence development.

Q. What does the average work out to, per person?—A. \$200.

Q. Were these nearly all in the United States?—A. No, there were quite a number in the U.K., quite a number of the navy. The army would be mostly the United States. In the Air Force it would be to the United Kingdom and the United States. I haven't got it broken down.

Mr. THATCHER: Mr. Chairman, what page are we on?

The VICE-CHAIRMAN: We are answering questions asked previously.

Mr. THATCHER: What questions?

The VICE-CHAIRMAN: On page N-17, travel outside of Canada. That was one of the questions which were held over.

Mr. FLEMING: Would there be a report on this which can go on the record?

The WITNESS: The return was made in the House of Commons on this.

Mr. FLEMING: And the return in the House was for the same period?

The WITNESS: For the same period, actually. The question was: how many government officials or representatives of Canada had travelled beyond the confines of Canada in connection with government business month by month since the first day of April, 1949, and to date. The return was made up from April of 1949 to March of 1950.

Q. Have you the date of the filing of the return in the House so we can get the Hansard record? It is not very long and it might be well to put it on the record here.

The VICE-CHAIRMAN: Is that the return?

The WITNESS: That is the return which was filed.

Mr. FLEMING: Can we have that on the record? We can go back to it again.

Appendix "D": Return re travel abroad—Armed forces and civilians.

Mr. THATCHER: Has an answer been given to the question asked by Mr. Robinson in reference to page N-12? Has that been answered yet?

The WITNESS: No, the information will take a little longer to prepare.

The VICE-CHAIRMAN: N-12 was not answered, N-13 was.

Mr. ROBINSON: Is it the intention of the witness this morning to file an answer to my question of the other day or will I have to wait until later on for that.

The VICE-CHAIRMAN: I do not know yet, Mr. Robinson, not until we see what we have in the way of returns this morning.

The WITNESS: There is no return on that ready yet, Mr. Chairman. We can file it as a return as soon as it is ready.

The VICE-CHAIRMAN: Just one second before we go any further. Mr. Drury, have you any returns to give us this morning?

Mr. DRURY: I have two, Mr. Chairman. The first is the number of enrolments into the active forces from the reserve during 1947-48, 1948-49 and 1949-50. The totals by years are, 617, 903, 798 respectively, for a total of 2,318.

Appendix "E": Enrolments into the active forces from the reserve during 1947-48, 1948-49 and 1949-50.

I have also a summary of the competitions conducted in the Canadian army reserve force during the fiscal year 1949-50. I will file that.

Appendix "F": Competitions—Canadian army reserve force 1949-50.

The VICE-CHAIRMAN: That contains five pages so it will be added as an appendix to today's proceedings.

Mr. FLEMING: That will go in the record too?

The VICE-CHAIRMAN: Yes.

The WITNESS: With respect to Mr. Robinson's question—

The VICE-CHAIRMAN: Have you the answer to that ready yet?

The WITNESS: No sir, that is not ready yet and will not be for some days yet. We have to go into the field to get some of the information Mr. Robinson asked for, things which are not available right here in Ottawa. We hope to have it ready in the course of the next week.

The VICE-CHAIRMAN: We are accumulating some returns as you see, gentlemen. I was waiting until the chairman returns so we will discuss the matter with him before fixing a date on which we can question the witnesses on these returns. I will try and have that perhaps for next Monday. In the meantime, we are at page N-25.

Mr. SINCLAIR: When you say you are fixing dates, has any consideration been given to when we can start work on this write-off of old debts? We were discussing that two meetings ago.

The VICE-CHAIRMAN: Let that stand, Mr. Sinclair, and I will discuss that with the chairman too. We are now on page N-25 of Public Accounts, gentleman.

Mr. THATCHER: I would like to ask Mr. Rose—if he is not the proper official perhaps I might wait until the Canadian Commercial Corporation comes here—I would like to know which of these contracts, if any, were let without the calling of tenders or whether tenders were called on these contracts?

The VICE-CHAIRMAN: Would you be more specific on that, please; where do we find the items?

Mr. THATCHER: On pages N-25 and N-26—and pages N-21-22.

Mr. ROSS: Canadian Commercial Corporation could answer that.

Mr. THATCHER: Then, Mr. Chairman, can we let this matter stand until the Canadian Commercial Corporation are with us?

The VICE-CHAIRMAN: We will let it stand. We are at the middle of page N-27. Is that satisfactory?

Mr. THATCHER: Yes.

Mr. NOWLAN: May I ask a supplementary question on page N-24. I should have asked it of Mr. Drury the last time he was here. Were payments of \$55,000 to James Adam and \$84,000 to H. W. Lea made in connection with specific buildings or merely as services in preparing plans for general use in construction of proposed buildings?

Mr. DRURY: Standard buildings. For services in connection with the erection of standard buildings.

The VICE-CHAIRMAN: You had better use that brigadier's voice, Mr. Drury. They cannot hear you at the other end of the room.

We are now at the middle of page N-27.

Mr. THATCHER: Is it item "C"?

The VICE-CHAIRMAN: I think we can go to "Allotments: Northwest Territories and Yukon radio system." The rest stands.

Mr. THATCHER: Just stand B. We could start with C.

The VICE-CHAIRMAN: "Equipment, stores and supplies," on page N-27.

By Mr. Thatcher:

Q. I wonder if Mr. Ross can tell us what amount was spent on tanks and armoured fighting vehicles?—A. On page 294 there is a table showing the breakdown of expenditure on items of equipment, stores, and supplies.

Mr. CAMPNEY: Page 294 of what?

The WITNESS: Page 294 of volume No. 10 of Minutes of Proceedings of the Public Accounts Committee. You will find under tanks and A.F.V.'s an item of \$1,626,237.14.

Mr. THATCHER: I think it was stated earlier there were no new tanks; these were all new parts. Did Mr. Drury not state that earlier?

Mr. DRURY: I did, Mr. Chairman. None of this expenditure was for whole tanks—complete tanks.

The VICE-CHAIRMAN: We did buy some Sherman tanks, did we not, Mr. Drury?

Mr. DRURY: Not in this fiscal year.

The VICE-CHAIRMAN: Item D, "communication services."

Mr. FRASER: What restrictions are there on the use of the long distance telephone? Are there any restrictions at all?

The WITNESS: No restrictions other than constant repetition of instructions that long distance calls are not to be made where use can be made of an air mail letter or other ordinary communication.

Mr. FLEMING: Do you find many cases where the instructions are ignored?

The WITNESS: Well, there are variations. When there is a heavy intake of enlistments there are, consequently a lot more urgent returns. I would say that, generally speaking, they adhere to the instructions.

Mr. FRASER: That would include telephone calls from the minister's office?

The WITNESS: No, that comes under administration.

By Mr. Fleming:

Q. Mr. Ross, can you explain "lines for radio stations"?—A. Those are lines between a radio station and a transmitter or receiver.

Q. Are these radio stations defence radio stations?—A. Oh, yes.

The VICE-CHAIRMAN: Louder, please, Mr. Ross?

The WITNESS: These are defence radio stations.

The VICE-CHAIRMAN: Item E, "sundries".

By Mr. Wright:

Q. In connection with the first item, "aerial photography", is there any of that work for other departments for which there is compensation received, or is that work done for the defence department itself?—A. It would be mostly for the defence department. We do work for other departments. You will find in the air force that we recover about \$900,000 a year for services rendered to other departments.

Q. Further on it says "joint services recruiting campaign, \$430,599.41". Is this in addition to the amounts which were spent for recruiting services advertising?—A. No, this is where that is charged to. The information that has already been tabled is built up out of these items in the estimates. This is not a separate item; it is part of the information already supplied.

By Mr. Browne:

Q. In connection with "professional services" are there any legal services in that?—A. It includes legal fees.

Q. Anything else?—A. Of that, legal fees were \$35,000.

Q. Have you any legal men in your department?—A. We have a Judge Advocate General.

Q. He is in the army?—A. Yes.

Q. But in civilian personnel you have no legal men at all?—A. No.

Q. Have you considered employing any?—A. We use the Department of Justice for all opinions.

Q. You did not use them for this?—A. They appoint agents and we probably had to pay the agents.

Mr. FLEMING: Mr. Chairman, I would like a breakdown of several items. The first is "compensation for damage to property and persons, \$169,100.88."

The VICE-CHAIRMAN: That is under what item?

Mr. FLEMING: Under item E; the second item.

By Mr. Fleming:

Q. I would like a breakdown of the persons to whom amounts were paid, the amounts and, if there is any note that can be conveniently written in as to payment, it would be helpful.

I would like a similar breakdown of the item "professional services, \$37,339.02". That would be a return to cover the payee, the amount, and the nature of the payment.

Now, may I proceed to ask questions on the item "education of children."

What in general is the nature of that item?—A. Teachers' salaries, school books, and non-resident school fees. Where we do not have a school we arrange for the children to go to the nearest community school—that is where the number is not large enough to set up a school.

Q. These are the children of military personnel in remote areas where there are no school facilities available?—A. That is correct.

Q. Are there cases where you send the children a distance to some boarding school?—A. Not to a boarding school—to a public school.

Q. Where they have to be sent away, do any of the children have to board out?—A. No, they are transported from the camp to the nearest school.

Q. You simply provide transportation—A.—to the nearest village.

Q. There is not any case where you send them away to a centre where they have to live to obtain education?—A. No, we do not provide private school fees or costs.

Q. I was not thinking so much about private schools but I was thinking about cases where your personnel might be stationed at a point so remote that it would be necessary to send the children a considerable distance—where they would not be within daily transportation distance?—A. We have not run into that problem so far. We have been able to find accommodation for the children either by setting up a school in the camp or, if there are not sufficient numbers, to transport them to the nearest public or municipal school.

Q. Are those payments of fees all to municipal educational authorities?—A. They are paid on the basis of a scale set by the Departments of Education in each province—that is the teachers are paid that way. The fees are those fees which are assessed by the community for non-resident schools attended.

Q. In other words you accept the ordinary charge set by the municipal authorities? You do not make any special arrangements?—A. No, it would be difficult to do that.

Q. It must be unfair too?

Mr. FRASER: They might not pay you if you started dickering.

The WITNESS: In some cases we have set up schools because even communities could not take the numbers that we have.

Mr. NOWLAN: Does the department pay the salaries of the school teachers or does the provincial government assist?

The WITNESS: Each provincial government has different regulations. The province of Ontario, for instance, pays 50 per cent of the cost of operating the school. In other provinces, and Manitoba is one; they pay so much towards the teacher only. We are governed by whatever regulations there are in the province in which we have our school.

By Mr. Fleming:

Q. Can you give us a breakdown—I am not asking the names of persons or municipal corporations to whom payments were made, but a breakdown by subjects of this amount? Have you that, Mr. Ross?—A. Which is that?

Q. The item of \$113,479.36. You mentioned two items—one is transportation and the other is fees to municipalities?—A. The items making up this amount are: furniture and equipment, \$134—that would probably be blackboards; stationery, \$18,641.98; maintenance of the buildings, including light and heat, \$19,339.32; salaries to teachers, \$111,579.50; miscellaneous expenses, \$4,223.97—against which we have grants from the provinces of \$30,281.12.

Q. Is that the total?—A. It does not quite come out to the total but I will get the remainder.

Q. You have not mentioned transportation?—A. Transportation is done by the transport of the camp.

Q. It is not charged to this item?—A. No.

Q. Have you a record of the number of children who have attended in this period under that item?—A. I will get that.

Q. Then you could work out, if you would, just some idea of the cost per pupil.

Mr. FRASER: The maintenance grants of \$536,613.53—what is that intended for? You mention \$19,339.32 for maintenance?

The WITNESS: That was for buildings—these maintenance grants are for grants to bands. I will get that and in the meantime I will answer the other question, if I may.

During the year 1949-50 there were eighteen schools for dependents of service personnel with a total attendance of over twenty-six hundred.

Mr. FLEMING: Twenty-six hundred?

The WITNESS: We would have to apply this across the three services. We have only got the army before us now.

By Mr. Pearkes:

Q. Mr. Chairman, it is rather hard to hear all these asides. How many teachers are employed? Have we had the answer to that? How many teachers are employed by the Department of National Defence in these service schools, and what is the attendance of children at the service schools as opposed to the attendance of children at the public schools to which they may be transported, and for which the provinces or the municipalities may be paying? Would it be possible to get some idea of the cost of education at an army school as compared with the cost of education at a municipal school?—A. I am not sure that I can get you the actual cost of the service schools, inasmuch as we are using, in some cases, buildings that were already in existence.

Q. Yes?—A. But we could give you the out-of-pocket expenses that we are paying, coming out of our appropriation for the education of children.

Q. Yes?—A. A break-down.

Q. Some of these schools are quite close to municipal schools, but for one reason or another you have established a service school. I think we should know whether it is more economical to establish a service school right in the camp than to provide transportation and fees for a school which is in another school district, perhaps five miles away.—A. You will appreciate that we are not duplicating to any great extent what the local community has; rather it is what they are prepared to do. We put in a camp, but they have not got a source of revenue to set up a larger school.

Q. This is perhaps a little irrelevant, but the Department of Indian Affairs is co-operating with local authorities in building combined schools. I know of at least one case where perhaps consideration may have been given to a combined

school. There is an army school within five miles of a public school, yet both are building new ones.—A. I would be interested to know where that is.

Q. Royal Roads.

The VICE-CHAIRMAN: Is there anything further under "Sundries"?

Mr. FLEMING: Perhaps we ought to have them taken up in turn.

By Mr. Pearkes:

Q. The example I gave would hardly come within this year. I would rather project that example. There may be other cases where the same thing happens.

—A. Could I answer the question about maintenance grants?

The VICE-CHAIRMAN: Yes.

The WITNESS: We pay band grants of \$31,089.40; library and reading room grants, \$8,644.15; grants to officers' messes, \$13,254.92; contingency allowances, \$250,052.67; allowances for care of arms etc., \$107,057.31; allowances for clerical assistance, \$18,894.65; organization allowance, \$830.86; allowances to cadets, \$49,509.63; and miscellaneous grants, \$22,279.94.

By Mr. Fraser:

Q. You mentioned "officers' messes". What kind of grant would they get?

—A. It is very small; it is for replacement of broken dishes and things like that; \$200 is about the average, I think.

Q. What I am getting at is: in a drill hall, where they have officers' messes, the officers in most cases have had to do repair work to their quarters. They have refinished the floors in a drill hall at their own expense in a number of cases; and they do a lot of work of that kind out of their own pockets. I just wondered what kind of grant they got to maintain their quarters in the way that they should be maintained.—A. Maintenance of property should be a public expense, as far as I know. I do not know of any cases unless there was some unit that wanted to "doll up" and do something different, such as to buy curtains, or something different than is provided for by normal maintenance.

Q. I know of one case where the Daughters of the Empire looked after the curtains in an officers' mess. But in this case the officers themselves looked after the repair of floors and fixed them up. I wondered why they never got a decent sized grant for it.—A. I would like to get the case in point and see what it is. Can you do that?

Q. I can do that.

The VICE-CHAIRMAN: All right. Is there anything further under "Sundries"?

By Mr. Fleming:

Q. In that enumeration which you gave, the first item was what?—A. Band grants.

Q. What was the basis for those grants? Are they all small bands?

Mr. FULTON: Could you speak louder, or could we have the undertone of conversation a little softer?

The WITNESS: These grants are all for military bands. I would be glad to get the details of them for you.

By Mr. Fleming:

Q. I was wondering about the basis of the grant? Is it a flat sum in all cases?—A. No, it is not a flat sum in all cases. It depends on the size of the band. But I will be glad to get the details for you.

By Mr. Fulton:

Q. Were you asked for the details of the items for professional services?—

A. Yes, sir.

The VICE-CHAIRMAN: He has got it.

By Mr. Fleming:

Q. The last item you read was "sundry grants"; was it not?—A. "Miscellaneous grants". I shall get some information on that.

Q. And then, those items or fees for special courses; are those courses for military personnel? I refer to the item of \$186,550?—A. Yes; that is for special courses at universities. I think I can give you some of the details. It is for academic training including tuition fees. That would be at these trades-training schools, technical schools. It would be for special courses, \$87,891.44; civilian lecturers at the colleges, \$9,778.64; civilian instructors on special equipment, \$578.75; and for miscellaneous expenses, \$791.67.

Q. The big item is for the payment to educational establishments. Are those in most cases public institutions, such as universities or schools?—A. To public schools or universities, or any public institution which has a course suitable for our purpose.

Q. Are there a great many of them? Have you a break-down?

Mr. NOWLAN: Does that include the supplementaries?

The VICE-CHAIRMAN: Just a minute, Mr. Nowlan, until we complete the answer for that question.

The WITNESS: I have not got the number; but this is the type of thing: academic training for officers in universities and other institutions; training for light aircraft pilots in the Canadian army; civilian lecturers in colleges; civilian lecturers for the COTC; fees for courses in the U.K., and British Commonwealth countries; and fees for training army tradesmen by the Department of Labour.

Mr. BROWNE: What is that?

The VICE-CHAIRMAN: Fees for special courses, Mr. Browne, the third last item.

The WITNESS: French language training is one of the items, for active force personnel.

The VICE-CHAIRMAN: Is that the answer? Very well, then; "E"; now we are down to allotments Northwest Territories and the Yukon; radio systems; are there any questions on that, gentlemen?

Mr. PEARKES: That would come under "E"?

The VICE-CHAIRMAN: Yes, on page 28.

Mr. PEARKES: On page 27?

The VICE-CHAIRMAN: Under "E" at the bottom, "Communication Services."

By Mr. Pearkes:

Q. "Communication Services." I am not quite certain about that. When you refer to the details on the next page, it seems to me that there is a duplication with the operating expenses of properties. The major items under "Communication Services" are for actual construction work, that is construction which is connected with telegraph and radio lines, whereas I would think that such construction should have been shown under "operating expenses." I can understand the smaller items of telephone tolls and so forth.—A. I think that is a reference to the installation of equipment rather than to the construction of buildings, ground systems for communication.

Q. It is very definitely construction work, is it not?—A. It hardly comes under the category of maintenance or repair of properties, or the construction of properties.

Q. Operating expenses?—A. Yes, control cables, power lines, repairs and masts, and all the equipment in connection with the installation of the wireless equipment.

By Mr. Fulton:

Q. Mr. Ross, on page N-28, the detail says:

These allotments were provided for the cost of operating the above system which is the main means of communication through northern Alberta, the Northwest Territories and the Yukon.

What is the degree of integration of this system with the government telephone and telegraph system which is operated by the Department of Transport? Do they operate any service up there at all? Do you parallel them, or do you operate this system for them?—A. We operate this system for all departments. It is the Northwest Territories system, and it handles all the services in so far as government departments are concerned at the points at which it is located.

Q. Did you take it over from them, or did you build it? My understanding is that there used to be a Department of Transport telegraph wire or telephone system up there. Did you start this from the ground up?—A. This system has been in use for many years, and run by the army. How far back it goes, I do not know but, it is many years. This thing has been going on I think for possibly 30 years.

Q. Does the Department of Transport pay you anything for it?—A. No. We do not collect anything for the service at all. We do, however, collect from private people using the service, but not from departments of the government.

Q. Do you connect with the Department of Transport service in British Columbia and Alberta?—A. We connect with all the services within the area in which we operate, that is to say, up to the point where we pick up the regular telephone system, be it a provincial or a private service, such as the Bell. And from there on we have our own service, of course. The general policy is to switch non-urgent business into the regular telephone or telegraph service.

Mr. THATCHER: Has that service anything to do with connecting these radar stations up there?

The WITNESS: It has nothing to do with that directly at this point, but any service that can be rendered in connection with radar we will do.

Mr. FULTON: I do not wish to ask questions pertaining to the current year at all but I find in the estimates for this fiscal year, under the Department of Transport, an item for Northwest Communications System. Now, you have here the Northwest Territories and Yukon radio system and you operate telephones and telegraphs up there; and they have, under Northwest Communications System, one item of \$100,000, and another item for construction and acquisition of buildings, et cetera, \$361,000.

The WITNESS: The committee can rest assured that there is no duplication. If they are operating in a certain area we would not be operating in the same area. Of course, we furnish meteorological service to them and they to us, wherever they are.

Mr. PEARKES: Do they pay you for services of that nature? There is no cross accounting?

The WITNESS: There is no cross accounting in so far as this service is concerned.

Mr. FULTON: Do you happen to know, Mr. Ross, where the Department of Transport Northwest Communications System is located; in what area do they operate?

The WITNESS: I do not know at all.

By Mr. Fleming:

Q. On page N-27, B, travel and transportation, \$50,378. Is any of that for transportation outside the Yukon, or is it all for moving personnel in and out of this area?—A. Mostly for moving in and out of the area.

Q. Is there any fixed basis of rotation of service personnel in an area like that?—A. Well, they are entitled to leave, the same as at any other place.

Q. In some of these areas you have a fixed basis of rotation, for example, a man is sent to the area for two years. Do you follow a similar system in the Yukon and Northwest Territories?—A. It is a two year term.

Q. The same as at Fort Churchill.—A. Yes. They can get a one year's extension.

By Mr. Fraser:

Q. On page N-27, item D, equipment, stores and supplies—is any of that equipment rented?—A. No, sir.

Q. It all belongs to the department.—It all belongs to the department.

By Mr. Fleming:

Q. N-27, item C, operating expenses of properties. What is the nature of that? Is that just ordinary maintenance?—A. I will give you the details of that: fuel, heating, \$8,856.46; electricity and gas, \$37,008.04; water, water taxes, \$1,485.81; sanitary services, \$1,016.59; liquid fuel, \$47,779.82.

Q. Heating of these buildings up there is obviously by fuel oil?—A. Yes.

Q. How does the fuel oil get in there?—A. Most of it goes in by barge, actually, in the north, it also goes by road in the winter.

The VICE-CHAIRMAN: Page N-28.

By Mr. Thatcher:

Q. I wonder, Mr. Ross, if you would tell me, do the Americans pay any part of the cost of maintenance of the Canadian portion of this northwest highway system?—A. No, the Americans do not pay anything towards the maintenance of this road, that is the road on Canadian territory.

Q. I see. What do you do about American vehicles travelling along that road? Do you charge any toll?—A. No, there are no toll charges on that road at all.

Q. Do the Americans not use this road quite extensively?—A. Not the highway; they do not use the highway much.

Q. They used to. That is not true any longer?—A. They built the road during the war, as you remember, as a connection through the Northwest Territories, but at the end of the war we took it over, took over the operation of the road. We run it entirely now.

Q. Supposing the Americans wanted to run a convoy up there from time to time—they do not pay any charge at all?—A. They do not run convoys up. Most of their stuff probably goes by air or by boat.

The VICE-CHAIRMAN: Suppose the Americans wanted to run thirty vehicles up there? Would there be any charge?

The WITNESS: No, we would not make any charge, not any more than they would charge us for running vehicles to Fort Lewis or some place else in the U.S.

Mr. PICARD: Is that covered by a treaty between Canada and the United States, or is it covered by agreement?

The WITNESS: There is no agreement; it has not reached the point of using our roads to this extent at this period.

By Mr. Thatcher:

Q. Is there very much civilian traffic on this road now, or is there any civilian traffic?—A. In this fiscal year traffic started to increase, and there is now quite a bit of American tourist traffic, civilian traffic, going up the highway. It is a good highway.

Q. There is no part of that road paved, is there?—A. No, but it is a good hard surface. It is an improved road.

By Mr. Wright:

Q. Can you give us the number of miles in this northwest highway system and the total cost per mile of maintenance during this year under review? I want the total cost, wages, everything that enters into the cost, so we will have an idea of what the maintenance cost of this road is per mile.

The VICE-CHAIRMAN: The witness can get that information for you.

By Mr. Wright:

Q. I want to get the total maintenance cost of the highway, not just the wages of the men who are out doing the maintenance work. I want all of the cost.—A. The total cost is in there, on N-28; \$7 million is the expenditure.

Q. \$7 million; and what is the mileage?—A. 1,221 miles.

Mr. BOISVERT: You will find that at the bottom of the page.

Mr. PICARD: Yes, it is at the bottom of page N-28, Mr. Ross.

Mr. FLEMING: It works out at about \$600 a mile.

The WITNESS: Something like that.

By Mr. Picard:

Q. At the bottom of page N-28 you will see that this 1,221 miles of road only runs from Dawson Creek to the Alaska border. Who takes charge of the Alaska highway from Edmonton to Dawson Creek?—A. The provinces, both British Columbia and Alberta.

Q. You have nothing to do with that?—A. No.

Mr. FLEMING: They are definitely provincially owned highways within the provincial boundaries, are they?

The WITNESS: Yes.

By Mr. Pearkes:

Q. Regarding the communication services item here—again we see considerable expenditure for telegrams and cables and so forth. Now, would not that all go through the previous system we have just dealt with, the Northwest Territories and Yukon radio system? If not, then there must be two different systems, and that is something we are trying to get at.—A. I would just like to point out that the telegraph service on the highway is not the same service as the Northwest Territories and Yukon radio system. They do not serve the same area. This service is down the highway 1,200 miles.

Q. The highway runs to Yukon?—A. But it does not run through the same stations.

Q. Sure it does.

The VICE-CHAIRMAN: He says not.

By Mr. Pearkes:

Q. The highway runs to Whitehorse, does it not?—A. It runs through a lot of places before it gets there, and they are not on the signal system.

Q. But surely that is all maintained by the army? All that radio system, the telephone lines and everything are maintained by the army up there?—A. It is a separate area entirely.

Q. Will you define the areas then in which both operate, because I happen to know that—

The VICE-CHAIRMAN: What you want the witness to do is to define the two areas.

By Mr. Pearkes:

Q. I would like to have this question cleared. We have the Northwest Highway System item in which there are considerable expenses for telephone and so forth. We have just dealt with the Northwest Territories and Yukon radio system item in which telephone expenses are shown, and we are told that there is no cross accounting from one item to another. I would like to know what system is on the highway, and where the difference is.

The VICE-CHAIRMAN: Mr. Wright, your question was answered, was it not? You have the answer to your question? Is there anything more to it?

Mr. WRIGHT: Yes. It seems to me that \$600 a mile for maintenance of a gravel highway, unless there are some other items, is a rather high cost.

The VICE-CHAIRMAN: Your question was, what was the cost of the maintenance of the highway, and he gave you a figure and the number of miles. There was something said about that working out at \$600 a mile.

Mr. WRIGHT: I am wondering what is the cost of maintaining certain emergency landing strips and access roads, which would offset the cost per mile on the highway and at stations. Also there are certain services to the R.C.A.F. given on a non-recoverable basis. What is the amount of those services? How many miles of access roads are maintained to the highway?

By Mr. Picard:

Q. How many air landing strips are there along the road, Mr. Ross?

The WITNESS: I have not got that information but I will get it.

Mr. PEARKES: When Mr. Ross is explaining the difference between these two communication systems would he also refer to page Z-63 where the Department of Transport also is reported to have had a very considerable expenditure in that area—Z-63, British Columbia and Yukon, \$837,075.36. Is it the same system?

Mr. PICARD: When the witness prepares the answer to this as to the routes, I mean, we might have a breakup of these figures, \$140,000 in one case, that is on page N-27, item E, and on page N-28, item F, \$79,000. We could have a breakup of these in order to get an idea of what they mean; the routes would give us a first picture and the breakup would give us added information.

The WITNESS: The details of item E on page N-27 are made up as follows: long distance tolls, \$277.07; telegrams and cables, \$327.61.

The VICE-CHAIRMAN: That detail is all given at the top of page N-28 under item E. The details are there and there is no purpose in putting them on the record further.

At the moment we are at the top of page N-29, vote 831.

Mr. BROWNE: Before you go on to that there is this item relating to Fort St. John—repairs to Peace River Bridge; contract, cost plus fixed fee: and there you have a total of \$415,182.63 of payments including final payment \$83,070.17. Does that mean that that was the full cost of repairing the Peace River bridge?

The VICE-CHAIRMAN: Where is that?

Mr. BROWNE: That is under miscellaneous on page N-28, the second item under miscellaneous.

Mr. NOWLAN: It is in the explanatory statement here.

The VICE-CHAIRMAN: Oh, repairs to the bridge at Fort St. John.

The WITNESS: The total of the contract there was \$415,182.63, as shown there and this is the amount that was paid; \$83,070.17 is the amount paid in the fiscal year 1949-50.

Mr. NOWLAN: That was the final payment?

The WITNESS: The contract was for \$415,182.63, including that final payment.

By Mr. Browne:

Q. That seems to be a big contract for repairs. Was the bridge swept away?—A. One of the piers was completely washed away and it was re-built, and when they were starting to re-build it it was washed out again.

Q. Were tenders called for that contract?—A. I will have to ask C.C.C. about that.

The VICE-CHAIRMAN: He said, they repaired it before it fell.

Mr. BROWNE: Were tenders called for that before it was repaired? Can you find that out for us?

The VICE-CHAIRMAN: Can we have your question?

Mr. BROWNE: I will modify that by the extent to which tenders were called. When was the bridge built?

Mr. NOWLAN: The question is on that item, the second item under miscellaneous, the allotment was \$84,824.86 and the actual payment was \$83,824.36, and that was in connection with repairs to the Peace River bridge at Fort St. John. Apparently the total amount of the contract was \$415,182.63, including the final payment of \$83,070.17; and I see that \$599.73 was spent for a survey of the bridge, and a total to date to Mr. P. L. Pratley, apparently \$16,645.31. Can you give us the details of that? Is that the same man who is working on the Canso bridge?

The WITNESS: I am not familiar with that.

Mr. NOWLAN: Can you find out for us?

Mr. SINCLAIR: They are the best bridge builders in the country.

The VICE-CHAIRMAN: Where are they from, Mr. Sinclair?

Mr. SINCLAIR: From Montreal.

Mr. NOWLAN: Will you find that out for us, please?

The VICE-CHAIRMAN: He will find that out for you. Just a minute now until we get these questions. Mr. Wright has a question.

Mr. WRIGHT: Yes. I see an item there for the Donjek River, replacement of bridge, expenditures already made during the year under review amounting to \$103,094.49; then, for repairs to the Peace River bridge, \$83,070.17; and also for the replacement of the bridge on the lower Rancheria River, \$20,000; apparently they were the capital expenditures made in that year on the road out of a total expenditure of \$7,231,975.62 for maintenance. My question is how much of this road was re-gravelled during the year or were there any other capital expenditures? These maintenance costs are certainly out of proportion to the cost of maintaining gravelled highways, unless there are some other features that can be brought in to show that these costs are justified, I would think.

Mr. SINCLAIR: Have you seen this highway?

Mr. WRIGHT: I have not seen the highway. It was built, I believe, under the Americans and it is a pretty fair highway. I am only questioning this matter of maintenance cost.

Mr. SINCLAIR: That is the point. It is a great, wide highway; it can't be compared with any ordinary country gravel road.

Mr. WRIGHT: Well, this maintenance cost certainly appears to be out of proportion to the maintenance cost of any provincial road with respect to which I have seen the figures.

The WITNESS: This road runs through open country, wild country. We have to maintain the whole route and bear the whole maintenance cost. There are no committees contributing to that cost throughout the area so it can hardly be compared to gravel roads in other provinces.

Mr. WRIGHT: You say there are no communities contributing to maintenance, there are no communities in the provinces doing that either, the province pays all of it. We will have the figures and then we can see how much gravel was used during the year under review, and there may be other capital expenditures, we want to know the amount that was spent on the road.

Mr. FRASER: This would cover snow plowing too, would it not?

The VICE-CHAIRMAN: Yes, maintenance.

Mr. FRASER: And the snow plowing bill would run into a lot of money.

By Mr. Fleming:

Q. Perhaps we could get at some of the factors which enter into the highway picture. What is the width of the highway, the improved highway?—A. 26 feet, I think it is.

Q. 26 feet?—A. I would guess that.

Mr. WRIGHT: Your ordinary provincial highway is 24 feet.

The WITNESS: I know.

Mr. FLEMING: We are talking about the improved surface part of it. I think we had better know something more about it; the improved surface, the shoulders—whatever additional features there may be to contend with.

The VICE-CHAIRMAN: Rather than have Mr. Ross at this time make some hazards let him bring in a report on this matter at the next meeting with all the details entering into it; the amount of maintenance, the capital expenditures.

Mr. FLEMING: Then might I suggest too, to include in that for purposes of the reference the figures for say the two previous years, of the same kind, so we will have some opportunity of comparing these costs with those of the say two previous years.

The VICE-CHAIRMAN: All right, gentlemen, that report will be here as soon as Mr. Ross can prepare it.

Page N-29, vote 831.

By Mr. Fleming:

Q. Mr. Chairman, this is one of these \$1 items of which the committee took such a dim view a year ago. What is the purpose of carrying this in that way? Would you explain it for us?

The WITNESS: The amount involved here is \$16,415.13 which was held by the president of the regimental funds board, on behalf of certain non-permanent active militia and reserve units which were not placed on active service during World War II. There was no expenditure made, actually, of public funds.

The VICE-CHAIRMAN: They merely returned the funds.

The WITNESS: These are units which were never activated. This sum represents the amount that had been collected and it was desired to keep that amount free from the army benevolent fund. It was turned over to the regimental funds board during the war. These units were never active at all. The funds were held by the president of the regimental funds board and in order to release them it was necessary for us to put this item in here.

By Mr. Fleming:

Q. And this is the amount, the amount in here, which was carried in the accounts from year to year?—A. No, this is the case of a transaction through which we are paying back to the reserve force units to whom it belonged this amount of money.

Q. I understand this committee a year ago made a recommendation with respect to these one dollar items. I was wondering if this was one of them.—A. No, this was closed.

The VICE-CHAIRMAN: Naval services—allotments: Royal Canadian Navy.

Mr. FRASER: Under "B" travelling expenses and allowances to civilian personnel; what would that be for? Would that be inspectors going around?

Mr. CAMPNEY: Principally labour transportation.

The WITNESS: Principally transportation. It is all active service and civilian. It is answered by the other question.

Mr. BROWNE: Oh, yes.

The WITNESS: This is travel across the board.

The VICE-CHAIRMAN: N-29, "allotment Royal Canadian Navy (reserve)"? Then we go on to page N-30.

By Mr. Nowlan:

Q. Mr. Chairman, I would like to ask about the Corps of Commissionaires referred to on page N-29. On what basis are they paid?—A. The amounts are paid on rates agreed and approved by the Treasury Board. They vary in the different districts.

Q. Is it on a per diem basis? Frankly, the situation is that I have received complaints from men who say they are not getting paid the per diem allowance which you pay.—A. They are paid an hourly rate by the Corps of Commissionaires and I understand what they arrange with the individual is that they supply a uniform and the individual pays it back so much at a time.

Q. Who do you pay?—A. The Corps of Commissionaires.

Q. In the various districts?—A. Yes.

Q. Could you supply the committee with the amount paid to the Corps of Commissionaires in the Halifax area?—A. That takes in the dockyard?

Q. Yes.

The VICE-CHAIRMAN: Would the number be useful, Mr. Nowlan?

Mr. NOWLAN: I was thinking of the per diem rate.

Mr. FLEMING: Mr. Chairman, we are going to have the items of travel and transportation here and in the next item, and scattered through later items as well. May I ask if the return tabled in the House which was put on the record this morning by Mr. Ross, was confined to the army alone or whether it included the Royal Canadian Navy and air force?

The WITNESS: The return I put on the record this morning on travel outside of Canada was inclusive of all services.

The VICE-CHAIRMAN: We are at the top of page N-30.

Mr. FLEMING: Did Mr. Ross wish to add anything?

The VICE-CHAIRMAN: No.

Mr. FLEMING: Well, we can come back to it.

Mr. THATCHER: Could you let pages N-30, N-31, and N-32 stand until we can get the Canadian Commercial Corporation here?

Mr. PICARD: There might be some questions that have to be asked from this witness that Canadian Commercial Corporation cannot answer.

Mr. THATCHER: As long as you don't pass it—we have agreed to let it stand for the army.

Mr. PICARD: That is right.

Mr. THATCHER: I would like to get some information on the contracts—information which Mr. Ross cannot give.

The VICE-CHAIRMAN: All right, subject to what Mr. Picard says.

Mr. BROWNE: Can we ask about N-30 now? In connection with Newfoundland I see the purchase of land in St. John's. Have you any information on that—the location, and how much land was purchased?

The WITNESS: I do not recollect exactly where that is but I will get the information.

The VICE-CHAIRMAN: You will get the information, Mr. Browne.

Mr. BROWNE: There is a big item on the next page—miscellaneous projects (including purchase of British Admiralty property in St. John's, Newfoundland, which is subject to redistribution), \$8,236,812.89. That was voted specially last year in the House.

The VICE-CHAIRMAN: What is your question on that?

Mr. BROWNE: It was taken over from the British.

The VICE-CHAIRMAN: But what is your question?

By Mr. Browne:

Q. Whether he has any information on it?—A. It is paid for in this fiscal year here. This is all of the property in which the British Admiralty had an interest.

Q. Is it all paid for?—A. It is all paid for.

Q. I thought there was \$7 million odd voted at one time.—A. There was a supplementary, I believe for this item.

The VICE-CHAIRMAN: Gentlemen, we are now at the bottom of page N-30.

Mr. FLEMING: In connection with the construction of married quarters at Dartmouth I see there are two contracts with the Terminal Construction Company Limited. Is that a Halifax company?

The WITNESS: I believe Montreal is the head office of Terminal Construction Company Limited.

By Mr. Browne:

Q. Do you know how much in the way of contracts they had altogether during the year?—A. No, you would have to get that from Canadian Commercial Corporation.

Q. You have not got that?—A. No.

Mr. FLEMING: Do you know whether there were two contracts here with them?

The WITNESS: I cannot say.

The VICE-CHAIRMAN: The Canadian Commercial Corporation will have to say that.

By Mr. Fleming:

Q. Were there separate construction programs?—A. It might be an overlap from one year to another. There is only paid out \$204,989.

The VICE-CHAIRMAN: I suggest we go to the Canadian Commercial Corporation for that.

By Mr. Picard:

Q. How many people can you quarter or can you put in those quarters? How large is the place?—A. The number of houses—the sizes of the houses vary.

Q. And how many houses are there? How large is the place? How many married quarters are there?

Mr. FLEMING: The total accommodation?

Mr. PICARD: Yes, I mean what is the total accommodation? It would be ordered by the Department of National Defence and contracted for by the Department of National Defence so the department must know.

By Mr. Fleming:

Q. It might save some repetition of similar questions on other items of the same kind if we could have a return brought to us on the costs of construction of those married quarters in the various places by the three services, so we will have some basis of comparing the costs. I think we would all be prepared to see some variation in costs because in the more remote areas presumably the cost of construction is going to be higher. It would not be very meaningful, however, unless we had those returns on a basis that would permit comparison?—A. I would say that the Canadian Commercial Corporation could probably produce the whole picture of costs of the different contracts that they have placed. We just order with Canadian Commercial Corporation in these cases and they arrange the contracts.

Q. You simply say that you want quarters?—A. I can give you the number that we put in for and the question of the method of arranging the contract price paid, and any questions you wanted to ask in regard to them, would be best answered by Canadian Commercial Corporation.

Q. They would have the whole picture of the resulting cost in reference to the accommodation provided in each case?—A. In any areas they would have the whole picture of the contracts allotted.

Q. I think that would be the more systematic way.

Mr. PICARD: What is the "damage control school" in Halifax?

The VICE-CHAIRMAN: Where is that?

Mr. PICARD: At the top of page N-31.

The WITNESS: It is for the training of seamen on how to put fires out, what to do in emergencies, wrecks, and so on. That is the principle.

Mr. PICARD: It is to train navy personnel.

The WITNESS: Yes, navy personnel.

The VICE-CHAIRMAN: Is there anything else on page N-31?

Mr. PEARKES: On page N-31 of course the big item is equipment, stores, and supplies. Could we have some idea of the number of vessels which were either constructed or bought during that period?

The WITNESS: The amount spent for the acquisition or construction of ships for the navy was \$1,806,452.11. On page 294 you will get a break-down.

The VICE-CHAIRMAN: There is a table there.

Mr. PEARKES: Does it give a break-down of the \$24 million?

The WITNESS: It gives you the various items making up the \$24 million.

Mr. PICARD: Where do we find that?

The WITNESS: On page 294 of Minutes of Proceedings and Evidence No. 10.

By Mr. Pearkes:

Q. It gives the break-down there?—A. It gives you a break-down of the items—acquisition and construction of ships; repair and upkeep of ships; naval and aircraft stores; clothing and personal equipment.

Q. Does it give the number of ships constructed?—A. It does not give the number.

Q. It does not?—A. No. The total is \$1,800,000.

Q. I feel this is the biggest item in the whole of this estimate and that we should have the number and type of ship, and particularly we should know whether any ships were bought?—A. This, I think, was the beginning of the shipbuilding program. This would be a payment on account of some ships laid down.

Q. I doubt very much whether there were any ships built.—A. There were no ships built but there might have been some started.

Q. There might have been some purchased?—A. It is the start of the program. It is the start of the four minesweepers, the three anti-submarine vessels, the three gate vessels, and the icebreaker—but there were no ships actually bought.

Q. No ships, vessels, or boats?—A. I would have to check the miscellaneous ones. There might have been some small boats.

Q. But there were no ships bought during that year, is that correct?—A. I would like to verify that.

Mr. ROBINSON: Mr. Chairman, there is no quorum now.

By Mr. Thatcher:

Q. Where do you keep your anti-submarine vessels? Where are they located? Are there several on each coast?—A. They are not built yet.

Q. You have not got any anti-submarine vessels?—A. Well, just the ones we had at the end of the war.

Q. Are they in operation?—A. Some of them. We have some on each coast.

The VICE-CHAIRMAN: My attention has been called to the fact that we no longer have a quorum and we will have to adjourn. You have called a meeting for Thursday, Mr. Picard?

The CHAIRMAN: Yes, on Thursday morning at 11:00 o'clock. And we shall carry on until we finish with National Defence before we take up the Canadian Commercial Corporation.

Mr. CROLL: Yes. I just wanted to speak to you about one thing which Mr. Fleming brought up as well as some of the others. I think there is merit in it.

The CHAIRMAN: I would like to state for the record that following the last meeting I spoke to the chairmen of the other committees, and it was agreed that we would never sit at the same time.

Mr. FLEMING: That was a good piece of work.

The CHAIRMAN: Thank you.

Mr. CROLL: There is just this point remaining. There have been a great number of returns filed as a result of questions, yet no one has been given an opportunity of asking questions on the returns. In addition, there is the matter of the write-off of debts. I thought that when we finished this week, we might revert, in order to provide an opportunity for asking questions with respect to the returns which have been filed. As for the subject of the debts, I think you had better consider it, because it is a matter of some importance as to what you wish to do about it.

The CHAIRMAN: Yes. We can arrange a sub-committee of nine or ten.

The committee adjourned until Thursday, May 24, 1951 at 11.00 a.m.

APPENDIX "A"

EXTRACT FROM THE CANADIAN ALMANAC
1949*The Arctic Institute of North America*

Established in 1946 to encourage and co-ordinate scientific research pertaining to the Arctic and Subarctic regions.

Chairman of Board of Governors, Dr. Henry B. Collins Jr., Smithsonian Institution, Washington, D.C.

Vice-Chairman, Dr. J. J. O'Neill, Dean of the Faculty of Engineering, McGill University, Montreal, P.Q.

Secretary, Dr. R. F. Flint, Dept. of Geology, Yale University New Haven, Conn.

Treasurer, G. Gordon Bell, 53 Metcalfe Street, Ottawa, Ont.

Executive Director, Dr. A. L. Washburn, 805 Sherbrooke Street, West, Montreal, P.Q.

Director, Montreal Office, P. D. Baird, 805 Sherbrooke St., West, Montreal, P.Q.

Director, New York Office, W. A. Wood, Audubon Terrace, Broadway at 156th Street, New York, 32, N.Y.

1950

Chairman of Board of Governors 1950, Dr. R. F. Flint, Department of Geology, Yale University, New Haven, Conn.

Vice-Chairman: Dr. H. L. Keenleyside, Department of Mines and Resources, Ottawa, Ont.

Secretary: Dr. M. J. Dunbar, Department of Zoology, McGill University, Montreal, P.Q.

Treasurer: Dr. J. C. Reed, U.S. Geological Survey, Washington, D.C.

Executive Director: Dr. A. L. Washburn, 805 Sherbrooke St., West, Montreal, P.Q.

Director, Montreal Office, P. D. Baird, 3485 University St., Montreal, P.Q.

Director, New York Office, W. A. Wood, Audubon Terrace, Broadway at 156th Street, New York 32, N.Y.

Director, Baltimore-Washington Office; Dr. M. C. Shelesnyak, 3506 Greenway, Baltimore 18, Md.

APPENDIX "B"
SURVEY OF RIFLE ASSOCIATIONS ACTIVITIES 1949-1950

Association	DND Annual Grant 1949-1950	Attendance of Personnel at 1949-1950 Annual Meeting			Association Membership			Ammunition Allotment						Total Cost Grant and Ammuni- tion		
		Mili- tary	Others	Total	Provin- cial	Mili- tary	Totals	Dominion and Provincial Associations								
								.303 inch	.22 inch	.30 inch	9 mm	Cost	\$		cts.	
	60,000 00	650	52	702	NA	NA	NA	200,000	30,000	Nil	25,000	12,675 00	72,675 00			
	1,500 00	134	6	140	161	955	1,116	40,000	7,500	Nil	500	2,381 37	3,881 37			
	1,500 00	193	61	254	113	889	1,002	46,250	15,000	20,000	3,000	4,050 93	5,550 93			
	1,100 00	65	Nil	65	169	311	480	18,000	2,000	Nil	2,000	2,097 90	3,197 90			
	1,500 00	62	Nil	62	128	447	575	22,000	Nil	Nil	Nil	1,266 10	2,766 10			
	3,400 00	126	86	212	329	1,481	1,810	90,000	25,000	Nil	Nil	5,297 25	8,697 25			
	2,500 00	140	40	180	400	839	1,239	40,000	Nil	Nil	Nil	2,302 00	4,802 00			
	1,250 00	30	29	59	227	608	835	12,000	2,500	Nil	2,000	784 35	2,034 35			
	1,600 00	105	Nil	105	251	374	625	15,000	4,500	Nil	Nil	884 44	2,484 44			
	800 00	65	Nil	65	102	218	320	13,000	3,000	Nil	Nil	762 28	1,562 28			
	200 00	NA	NA	NA	131	35	166	NA	NA	NA	NA	Nil	200 00			
	75,350 00	1,570	274	1,844	2,011	6,157	8,168	496,250	89,500	20,000	32,500	35,501 62	107,851 62			

NOTE 1.—The "Provincial Totals" shown under "Association Membership" are not "true" figures since the same individual may belong to the Provincial Association and a Military Association.

NOTE 2.—The 1949 Canadian Bisley Team was made up of 21 personnel of whom, 11 were called out on Active Service at a cost of \$5,546.00, 7 were members of the Active Force whose pay and allowances for the period amounted to \$4,452.00. The remaining 3 members of the team were ex-service personnel but were not eligible for call-out on Active Service however their travelling expenses only were provided by the Dominion of Canada Rifle Association. The travelling expenses of all members of the team was paid by the Dominion of Canada Rifle Association at a total cost of \$14,776.48.

NOTE 3.—Canadian Army Orders provide for small arms and other equipment to be loaned to the Dominion of Canada and Provincial Rifle Associations for annual matches without rental charge but they are subject to charges for transportation, laundry, dry cleaning, loss or damage.

NOTE 4.—The ammunition allotted is of Canadian Manufacture made in Canada. Ammunition used by the Bisley Team is of British Manufacture.

NOTE 5.—The \$200.00 grant to NDHQ Rifle Association is a special grant to encourage rifle shooting at National Defence Headquarters.

NOTE 6.—The total expenditure of public funds for the Dominion and Provincial Associations and the Bisley Team during 1949-1950 was \$117,849.62.

NOTE 7.—In addition to DCRA and the Provincial Rifle Associations there are Military Rifle Associations formed at headquarters and units of the Active and Reserve Forces to encourage shooting. These are not included in the table above since they are normal military activity.

APPENDIX "C"

DEPARTMENTAL ADMINISTRATION

SUNDRIES 1949-50

(Public Accounts N. 16)

Further breakdown

Legal fees—Patent applications	\$ 3,030.97
Government Guarantee Fund	9,014.15
Reconditioning of railway car as required by railway overhaul policy.....	18,327.36
Operating costs of railway car	2,830.79
Book of remembrance	16,810.66
Miscellaneous expenses (Includes payments to outside firms for inspectors and inspection services, \$29,109.99).....	32,862.02
	<hr/>
	\$82,875.95

APPENDIX "D"

June 16, 1950.

With reference to Order of the House of Commons No. 63 dated April 24, 1950, Mover Mr. Diefenbaker, Votes and Proceedings No. 41, Page 267, following is reply so far as the Department of National Defence is concerned.

Questions

1. How many government officials or representatives of Canada have travelled beyond the confines of Canada in connection with government business month by month since the first day of April 1949, and to date?

2. What has been the total amount of expenditures for all travelling, living allowances and expenses incurred or expended by such persons since that date?

Answers

	Armed Forces	Civilian
1. April 1949	50	19
May	71	25
June	36	25
July	49	12
August	40	18
September	29	36
October	63	19
November	48	20
December	36	13
January, 1950	59	17
February	34	21
March	50	22
	<hr/>	<hr/>
Totals	565	247

The above numbers do not include members of the defence forces posted for duty or courses.

2. \$167,343.19.

Yours sincerely,

The Under Secretary of State,
Department of Secretary of State,
Ottawa.

(C. M. DRURY),
Deputy Minister.

APPENDIX "E"

ENROLMENTS INTO THE ACTIVE FORCES FROM THE RESERVE
DURING 1947-48, 1948-49 and 1949-50:

Year	Navy	Army	Air Force	Total
1947-48	47	567	3	617
1948-49	63	819	21	903
1949-50	69	690	39	798
	<hr/>	<hr/>	<hr/>	<hr/>
Totals	179	2,076	63	2,318

APPENDIX "F"

COMPETITIONS—CANADIAN ARMY RESERVE FORCE 1949-50

General

1. During the fiscal year 1949-50 competitions for various trophies and/or prizes were conducted at Reserve Force Annual Camps or at local headquarters of Reserve Force units.

2. Competitions were designed to stimulate the training of the individual, sub-unit or unit. Commands conducted many courses at Reserve Force Camp, therefore, the majority of prizes or trophies were awarded to individuals or to small groups of individuals who represented their respective units. In addition several Corps, or their affiliated Corps Association, awarded trophies and/or prizes for units of their Corps, and in some instances to all Corps, these trophies and/or prizes were competed for at Reserve Force Annual Camp or at local headquarters during the training year.

3. Competitions can be grouped into two broad classifications as follows:

- (a) Reserve Force Camp Competitions.
- (b) Annual Corps Competitions.

Reserve Force Camp Competitions

4. The following competitions were conducted by Western Command at Reserve Force Annual Camps:

(a) Individual training competitions, special to Corps

- (i) Best signaller
- (ii) Best tank gunner
- (iii) Best bren gunner
- (iv) Best rifle shot
- (v) Best driver and maintenance specialist.

(b) Inter Unit competitions, special to Corps

- (i) Best bren group
- (ii) Best seven man patrol

(c) Inter Unit Sports—All Corps

This consisted of various sports such as volleyball, softball, tug-of-war, etc. The inter unit competitive spirit was stressed.

5. Prairie Command conducted the following competitions at camp:

(a) Inter Unit Competition

- (i) 17 Cdn Infantry Brigade general efficiency competition—Object—to test standard of training of infantry units. Open to infantry only.
- (ii) Mounting of fire picquet—Object—to test general efficiency. Open to RCAC, RCA, RCE, RC Sigs and RCIC units.
- (iii) Inter unit sports—all corps
- (iv) Camp Shilo Efficiency Trophy—Object—to increase attendance, esprit de corps and efficiency in training. Awarded to the best battery, RCA.
- (v) Eaton Trophy—awarded to all units of the three services located in the Winnipeg area. Awarded for march discipline, fire and movement, rifle firing and marksmanship.

6. Central Command conducted the following competitions:

- (a) Individual training competition, all corps
 - (i) Best recruit

- (b) Inter Unit Competition—special to corps

Most efficient unit. Awarded to RCA units on basis of efficiency rating during range practices.

7. Quebec Command conducted the following competitions:

- (a) Individual training competition, all corps

- (i) Best pistol shot
 - (ii) Best bren gun shot
 - (iii) Best sten gun shot
 - (iv) Best dressed soldier

- (b) Inter unit competition

- (i) Best recruit squad. Open to all corps.
 - (ii) Range competition (Rifle). RCIC units only.
 - (iii) Quebec Command Challenge Trophy. Object—to develop cross country skiing. Open to all corps. Teams represented the various units.

8. Gzowski Challenge Cups

- (a) The Gzowski Challenge Cups consist of two cups, each of equal value. Each year the two cups are awarded to the RCE units receiving the highest efficiency rating while attending camp. One cup is awarded to the best RCE unit of Prairie and Western Command (Western Canada), the other to the best RCE unit of Central, Quebec and Eastern Commands (Eastern Canada).

- (b) Winners in 1949 were as follows:

Western Canada—7 Engr Regt, Vancouver.

Eastern Canada—3 Fd Sqn, Ottawa.

Summary of Competitions

9. The following is a summary of competitions, by types, conducted at Reserve Force Summer Camp 1949.

Individual competitions—10

Inter unit competitions—12

Annual Corps Competitions

10. Reserve Force units conduct competitions, at local headquarters, for prizes or trophies sponsored by Corps Associations.

11. The Royal Canadian Armoured Corps Association (Cavalry) has presented the following trophies for award to units of the Armoured Corps, under condition set out under the name of each trophy:

- (a) The Rawlinson Trophy

Competition—Communications

Terms—Awarded to the Armoured, Armoured Car or Divisional Reconnaissance Regt. having the highest percentage of trained operators.

- (b) The White Challenge Cup

Competition—Best Armoured Car Regiment

Terms—Awarded to the Armoured Car Regiment having the highest percentage of qualified tradesmen.

- (c) The Leonard Challenge Trophy
Competition—Best Armoured Regiment
Terms—Awarded to the Armoured Regt. having the highest percentage of qualified tradesmen.
- (d) The Stockwell Challenge Cup
Competition—The best Divisional Reconnaissance Regt.
Terms—Awarded to the Divisional Reconnaissance Regt. having the highest percentage of qualified tradesmen.
- (e) The Merritt Challenge Cup
Competition—The best Royal Canadian Armoured Corps Reserve Force Unit.
Terms—Awarded to the Reserve Force Armoured Corps Unit having the highest percentage of tradesmen.
- (f) The Nash Memorial Challenge Trophy
Competition—Mechanics
Terms—Awarded to the Reserve Force Armoured Corps Unit having the highest percentage of trained mechanics.
- (g) Westby Trophy
Competition—Gunnery
Terms—The Reserve Force Armoured Corps Unit having the highest percentage of trained gunners.

12. The Military Engineers Association of Canada (MEAC) award the following trophies or grants to Engineer units:

- (a) MEAC Rifle Trophy—Awarded for best indoor small bore rifle team. Won in 1950 by 18 Fd Squadron Hamilton, Ont.
- (b) MEAC Grants—Distributed on basis of \$100 per regiment and \$25 per independent squadron. Funds to be used at discretion of local commanders, but provided for the purpose of giving tangible recognition to proficiency in unit training.

13.

- (a) The Infantry Association has withdrawn all cups from competition for the present time.
- (b) The Infantry Association grants \$25 cash to each infantry unit for annual rifle competition. The object of this grant is to create interest to shooting. The grant is used as prize money for unit competitions.

14. The Canadian Signals Association awards the following prizes or trophies:

- (a) *Competition No. 1*
Cash prizes awarded to members of Canadian Signals Association submitting best essays on subjects set by Canadian Signals Association.
- (b) *Competition No. 2*
Special examination for Reserve Force—RC Sigs Field Officers. Cash prizes awarded.
- (c) *Competition No. 3*
Special examination for Reserve Force RC Sigs Captains and Subalterns. Cash prizes awarded.

(d) *Competition No 4*

Special examination for Reserve Force RC Sigs Warrant Officers, Class I and Class II. Cash prizes awarded.

(e) *Competition No 5—Genet Trophy*

This trophy was presented by Brig J E Genet, CBE, MC, Chief Signal Officer, 1st Canadian Army in 2nd World War. Trophy is awarded annually to RC Sigs Reserve Force unit obtaining highest average mark in all papers submitted under Competitions No 2 and 3 above. Trophy was presented in 1948.

(f) *Competition No 6—Malloch Trophy*

This trophy was presented in approximately 1927 by Col F G Malloch, OBE, MC, VD, who was then president of Canadian Signals Association. It is awarded annually to the RC Sigs Reserve Force unit which obtains the highest average mark in all papers submitted under Competitions No 2, 3 and 4. The trophy is being awarded this year for the first time since the 2nd World War.

(g) *Competition Nos. 7-18*

These competitions are conducted on a *unit* basis with cash prizes in each case. Funds are allotted to units for this purpose.

Competition No 7—Most efficient Sergeant.

Competition No 8—Most efficient Corporal.

Competition No 9—Most efficient operator, wireless and line.

Competition No 10—Efficient signal office operation.

Competition No 11—Most efficient lineman.

Competition No 12—Most efficient line detachment.

Competition No 13—Most efficient radio or line mechanic.

Competition No 14—Other rank bringing in greatest number of recruits.

Competition No 15—Dress.

Competition No 16—Senior NCOs course.

Competition No 17—Junior NCOs course.

Competition No 18—Bandsmen.

15. The Defence Medical Association awards the following trophies to Medical Corps units:

(a) Ryerson Trophy—awarded annually to the most efficient Medical Corps unit.

(b) Shillington Trophy—awarded to the second most efficient Medical Corps unit.

16. The following is the total number of competitions conducted at Reserve Force local headquarters:

Competitions for prizes—315

Competitions for trophies—12

*Canada. Public Accounts,
Standing Committee, 1951*

SESSION 1951

HOUSE OF COMMONS

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STANDING COMMITTEE

ON

PUBLIC ACCOUNTS

CHAIRMAN—MR. L. PHILIPPE PICARD

MINUTES OF PROCEEDINGS AND EVIDENCE

No. 16

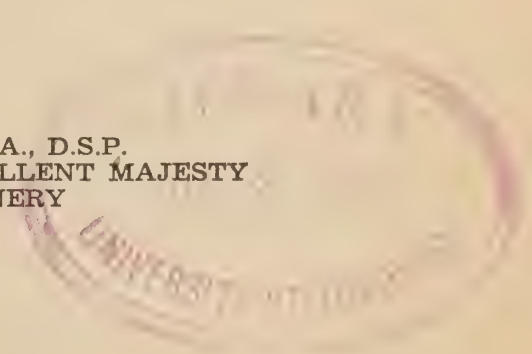
THURSDAY, MAY 24, 1951

WITNESSES:

Mr. C. M. Drury, C.B.E., D.S.O., E.D., Deputy Minister of National Defence.

Mr. A. Ross, C.M.G., Associate Deputy Minister.

OTTAWA
EDMOND CLOUTIER, C.M.G., O.A., D.S.P.
PRINTER TO THE KING'S MOST EXCELLENT MAJESTY
CONTROLLER OF STATIONERY
1951



MINUTES OF PROCEEDINGS

HOUSE OF COMMONS, Room 430,
Thursday, May 24, 1951.

The Standing Committee on Public Accounts met at 11.00 o'clock. The Chairman, Mr. L. Philippe Picard, presided.

Members Present: Messrs. Benidickson, Blue, Boisvert, Campney, Cauchon, Cloutier, Croll, Fleming, Fraser, Gibson; Helme, Johnston, Kirk (*Digby-Yarmouth*), Macdonnell (*Greenwood*), Major, Nowlan, Pearkes, Picard, Robinson, Stewart (*Winnipeg North*), Wright.

In attendance: Mr. C. M. Drury, C.B.E., D.S.O., E.D., Deputy Minister of National Defence; Mr. A. Ross, C.M.G., Associate Deputy Minister.

The Committee resumed consideration of the public accounts relative to the Department of National Defence, for the fiscal year ended March 31, 1950.

The adjourned examination of Messrs. Drury and Ross was resumed.

Detailed statements, requested of the witnesses at previous meetings, were tabled and ordered to be printed as Appendices to the day's Minutes of Proceedings and Evidence as follows:

By Mr. Ross.

Appendix "A"—Canadian Army (Reserve and Supplementary Reserve) personnel employed in India, Pakistan from 1 April 1949 to 31 March 1950.

Appendix "B"—Breakdown of Miscellaneous Grants.

Appendix "C"—Summary of Employment of Commissionaire Services.

By Mr. Drury.

Appendix "D"—Copies of instructions relating to policy of economy in expenditures.

Mr. Ross was questioned at length with respect to other items of expenditures of National Defence, contained in the Public Accounts, under study, and Mr. Drury was also questioned briefly on some of these. The witnesses were requested to prepare detailed statements of some of the items, for submission to the Committee at the next meeting.

And the examination of Mr. Drury still continuing, the said examination was adjourned to the next meeting.

On motion of Mr. Croll,

Resolved,—That a sub-committee be appointed by the Chairman to deal with a report on uncollectible debts due the Crown.

At 12.30 o'clock p.m., on motion of Mr. Boisvert, the Committee adjourned to the call of the Chair.

ANTOINE CHASSÉ,
Clerk of the Committee.

MINUTES OF EVIDENCE

HOUSE OF COMMONS

May 24, 1951.

The Standing Committee on Public Accounts met this day at 11 a.m. The Chairman, Mr. L. Philippe Picard, presided.

The CHAIRMAN: Order, gentlemen.

Mr. A. Ross, Associate Deputy Minister, Department of National Defence, called:

The CHAIRMAN: Before we proceed with this morning's work we have three answers which have been tabled by the associate deputy minister. Appendix "A" is the Canadian army (reserve and supplementary reserve) personnel employed in India, Pakistan from 1st of April 1949 to 31st March, 1950. Then appendix "B": Miscellaneous grants—\$22,279.94, for the maintenance of physical fitness equipment. Do you want to deal with that now, Mr. Nowlan?

Mr. NOWLAN: No, Mr. Chairman.

The CHAIRMAN: It will appear as an appendix.

Mr. CROLL: That would give us a chance to read them in the record.

The CHAIRMAN: Then appendix "C": Employment of commissioner services. That was also asked for by Mr. Nowlan. There is a full table of the rates of pay. That would appear as appendix "C" to today's proceedings.

Now, there is another answer. A document has been produced with respect to instructions to several departments to curtail expenditures. This seems to be a series of different memoranda produced by the Deputy Minister of National Defence in reply to a request by Mr. Fleming. This material is quite voluminous and I was wondering if we should have it all published or if you would care to have a look at it; it will be available to the whole committee. It includes about 12 pages of instructions. May I ask Mr. Drury whether they are pretty much along the same lines?

Mr. DRURY: They are more or less repetitive, Mr. Chairman.

The CHAIRMAN: They are repetitive?

Mr. DRURY: Yes. They have arisen under different circumstances and have been produced merely as an example of the type of instruction which is given with respect to the necessity for economy in the department.

Mr. WRIGHT: Mr. Chairman, on a matter of privilege. I want to correct something which I stated at the last meeting. In discussing the north-west highway system I indicated that the total cost was \$7,238,512 for 1,221 miles, and I said this amounted to approximately \$600 per mile. I accepted the figure which someone else mentioned without doing any division myself. I find that it is almost \$6,000 per mile, not \$600 per mile. As a matter of fact, when you take out the capital expenditures on the bridges it amounts to \$5,755 per mile for maintenance alone. I think that is entirely out of line and I hope that we can get the answer to the question which I asked with regard to the amount of new gravel placed on the highway and the number of miles of subsidiary roads that have to be taken care of along with the air strips on this highway.

The CHAIRMAN: Mr. Ross, would you care to have an answer to that question as to why it cost \$6,000 per mile while the witness is here?

Mr. WRIGHT: The evidence is here about the wages and expenses. I do not think it is necessary, unless the witness wishes to enlarge on it.

The WITNESS: Mr. Chairman, we propose to table a statement on that highway—the width of the road, the shoulders, and all the various roads into the air strips along it. All that information will be brought forward in the form of a report and tabled.

Mr. FLEMING: Is it going to cover three years so we will have a basis for comparison?

The WITNESS: It will cover a period of years, up to the 31st of March 1950.

The CHAIRMAN: With all due consideration to the witness, at the last meeting I allowed my friend who had opened the proceedings to continue in the chair and I sat right where Mr. Croll is sitting now and I could not hear a thing the witness said, and the same difficulty applies to members who are far away, so I ask him for the future if he will kindly be good enough to speak up louder, please.

The WITNESS: I will do so, Mr. Chairman.

The CHAIRMAN: On page N-30, allotment—Royal Canadian Sea Cadets. That is where I think we had stopped at our last meeting. One other aspect of our work would be this, that when we call an item like that the witness might volunteer a few words of explanation before we go any further. If he would do that it would often clarify the situation and do away with a lot of questioning if we were told what the item was all about. So, when we call an item the witness might volunteer a few words of explanation and that might help to make the whole thing clear and in that way avoid prolonged questioning. What do you think of that idea, Mr. Fleming?

Mr. ROBINSON: Does not that change in some respect the procedure we have been following up to date where the members are presumed to have read the items in advance and are prepared to ask questions?

The CHAIRMAN: I am in the hands of the committee. That is what has been suggested but I am not pressing for it unless you agree. Are there any questions on this item of allotments to the Royal Canadian Sea Cadets? Allotments, Royal Canadian Navy—general.

Mr. CAMPNEY: Mr. Chairman, does not that involve the Canadian Commercial Corporation the same as in the case of the army which we held over for further information when officials from that organization are here?

The CHAIRMAN: At our last meeting we allowed to stand a number of items like this which were more within the domain of the C.C.C. Of course, as I stated “Mr. Thatcher, that does not prevent any member of the committee who wants to ask a question from the present witness from doing so, but I believe that the people who are best able to answer questions which will arise on items of this kind are the officials of the Canadian Commercial Corporation.

Mr. FRASER: Would not operating expenses of properties be a matter with which the navy itself could deal—item “A”, operating expenses of properties—acquisition, construction and purchase of properties; would that not be a matter for the navy to deal with rather than the Canadian Commercial Corporation?

The CHAIRMAN: Would you kindly answer that, Mr. Ross?

The WITNESS: All the expenditures shown here are made by the department of National Defence.

Mr. FRASER: All of those are paid by the C.C.C.?

The WITNESS: Department of National Defence.

Mr. FRASER: Under allotments?

The WITNESS: All contracts for construction and contracts for maintenance, where they are made are done by the C.C.C.

By Mr. Fleming:

Q. What is their practice in connection with payments, interim payments on contracts of this kind? I presume there are progress payments made on these contracts, are there not?—A. On construction? No, there are not very many. Progress payments are made on what they have done, but not in advance.

Q. No, I do not mean advance progress payments.—A. Progress payments are all covered by the contract made by the C.C.C.

Q. Quite; well now, who is responsible for inspection, the C.C.C. or your department?—A. We are responsible for satisfying ourselves that it is being done before payment is made. In the case of construction we have had to employ outside supervisors. You will find architects and construction engineers and our own engineers who inspect the jobs.

Q. Well, I was just trying to get clear for my own information the limit of the function of the Canadian Commercial Corporation; and, by the way, I presume there is no difference in function as between the Canadian Commercial Corporation and the Department of Defence Production in regard to what your department does with reference to these construction contracts?—A. What the Defence Production Corporation will do is a matter for the present—I understand there may be some change, but at the time or the year we are dealing with here the inspection of construction of the work which was being done rested more or less with the Department of National Defence.

Q. Well, does the Canadian Commercial Corporation do anything more than negotiate contracts?—A. They negotiate the contracts.

Q. Your department do not pass on any of these contracts, I gather?—A. No.

Q. You simply indicate to the C.C.C. what you want in the way of a building or a construction project?—A. We make a demand on C.C.C. for the type of building we want and we produce the plans and specifications and they make a contract for the construction, then we have to satisfy ourselves that the work is done properly.

Q. Is their relationship to the project ended when the contract is negotiated and signed?—A. Yes.

Q. And your department takes over at that point?—A. It takes over all the work being done and carries on the inspection of it. C.C.C. are responsible for any changes in contract. If there are changes in contract it has to be done through the medium of the C.C.C.

Q. Well then, any responsibility in connection with maintenance rests exclusively with your department?—A. It rests with our department. We have to satisfy ourselves that the work is done that is required for the facilities being constructed.

Q. And if there are extras decided on in the course of construction your department refers all those requirements to the C.C.C.?—A. It has to go through the C.C.C. We make no changes of contract at all; contractual arrangements are made by the C.C.C.

Q. And how are these extras handled? In all cases are they always handled in writing?—A. Yes, they would be handled in writing.

Q. Do you know of any cases where work has been proceeded with really as an extra to the contract without a written decision?—A. I do not know of any cases. There would be no basis upon which the Treasury Board would accept the bill for payment for extras unless it was properly authorized and the contract amended.

Q. Of course, that could come later. I am thinking about the practice at the particular time. You know that in many types of contracts it is sometimes necessary to get work done in a hurry.—A. There might be circumstances which would demand immediate action.

By Mr. Johnston:

Q. May I ask a question on that point, Mr. Chairman, about the C.C.C.? The C.C.C. lets the contract: is that right?—A. Yes.

Q. And they draw up the plans and specifications?—A. No, we produce the plans and specifications—

Q. Who takes it over then?—A. —of the type of building we need.

Q. Yes; who provides the inspection to see that the plans and specifications have been carried out?—A. The Department of National Defence must satisfy themselves that the work is completed before final payment is made. We have to justify the payment.

Q. Does the Department of National Defence do all the inspection to see that the plans and specifications are carried out or does the C.C.C. provide inspection service?—A. The Department of National Defence is responsible for satisfying themselves that the work is done. That is the basis upon which we make our payment.

Q. You say you have to satisfy yourselves that the work is done. What I am concerned about is: Whose job is it to inspect to see that these specifications are being carried out?—A. The service engineer in the case of construction.

Q. From the Department of National Defence?—A. From the Department of National Defence, or the consulting engineer who may be employed by the Department of National Defence.

Q. And he inspects to see that the plans and specifications are carried out? That is the responsibility of the Department of National Defence?—A. Yes, definitely.

By Mr. Fleming:

Q. Well, Mr. Ross, would we take it from your last answer that there is always an inspector on every job?—A. There are Canadian service engineers on most of the jobs, all of the jobs.

Q. Would you have an inspector present all the time on these jobs?—A. Not necessarily. You are speaking of the small jobs, \$5,000?

Q. Some of these—\$15,000, \$3,000, \$9,200?—A. Well, the local engineer—for instance, in the army in the command—would be responsible to see that the work was being done properly.

Q. You mentioned that in some cases you retained professional assistants in the case of architects or engineers to report to you and check the progress being made. Where do you draw the line between those projects where you retain outside professional assistance and those where the inspection is handled by your own engineers?—A. Well, in the final analysis, the service engineer would have to be satisfied that the work has been done. The engineers employed might be on the larger projects where there are many technical details such as steam heating arrangements, special work, workshops for instance; they have to take into consideration proper drainage to ensure that there is no gasoline or oil going down the drain.

Q. Or public money going down the drain!—A. I think, generally speaking, they exercise very good care in checking over the properties that are being constructed.

Q. Your answer seems to indicate that the cases where you retain outside professional assistance are cases where there are special technical features involved or special technical problems in construction, is that correct?—A. In some cases.

Q. It is not the amount of the contract that determines that factor?—A. The main factor would be whether we have the personnel to do the work, to do all the detail.

Q. That is, locally available.—A. That is right.

Q. But you did indicate that even where you have the assistance of outside professional advice your National Defence engineers would be— —A. Would be the final authority for passing a bill for payment, which means they have to give a certificate that the work is done and is completed in accordance with the contract.

Q. Can you indicate generally in what proportion of these contracts for construction you have made it a practice to retain outside professional assistance?—A. I think that could be explained better this way, that towards the end of the war we lost many of our expert engineers who were in for the war, and with the program of construction necessary to replace the wartime construction it was necessary to employ outside help for the purpose of drawing up plans and specifications in some cases, and to assist in the supervision of the construction.

Q. I am speaking rather of the period under review, if you could indicate some general approximation or average.—A. Well, on page N-24 you will see we have spent \$205,000 on consultants' fees against a construction program of \$11 million. Some of the plans and specifications drawn up by consultants will be suitable for a future use.

Q. You have not quite come to my point. I was wondering if you could give some indication, some rough figure—you may not be able to give it as to the number, but I would like it as to the proportion of construction contracts where you do retain outside professional assistance.—A. I would say in the majority of cases we do it within the service.

Q. Entirely?—A. No, not entirely, the majority.

Q. In the majority of cases you carry on your inspection work entirely within the service?—A. We do, and in addition to consultants. It would be a limited amount of the total work that is done.

Q. Can you point to any cases where you have had difficulties with the contractors as to the completion of the work, the quality of workmanship, complaints subsequently received as to the insufficiency of the work or defects in construction?—A. Well, in all kinds of construction you run into difficulties with the contractors. Now, to what extent they would occur in these I have not that information immediately before me but I can produce some evidence of difficulties we have had if the committee wishes it, Mr. Chairman.

Q. Maybe I can confine myself a little more in my questioning. I think we would all be prepared to accept that in most cases with construction contracts you would have some local problems about completion, but what I am rather getting at are cases where the difficulty has not been adjusted speedily and satisfactorily.—A. You are aware, of course, that all contractors have to make a deposit and that is held back. Ten per cent of the contract price is held by the receiver general until such time as the contract is finished and satisfactorily concluded.

Q. What is the period over which that deposit is held back?—A. Until the contract is completed.

Q. There is not any time limit fixed for their completion?—A. No.

Q. Has the Canadian Commercial Corporation been writing other holdback provisions into these contracts as well?—A. I am not sure.

Q. Well, if you are not aware, perhaps someone else will look that up and we can go on.—A. I will have to find out about that. To my knowledge I think it is just the original deposit that is held until the contract is completed.

Q. What is the practice, then, with regard to progress payments? What is the practice in regard to testing the cost of work done against progress payments?—A. Well, all contracts that call for advance payments, or rather, progress

payments, require a certificate that the work has been done and that is made by a member of the services. These certificates have got to certify as to what has been done before the payment is made.

Q. Well, I suppose in the case of cost plus contracts the work of checking may be a little simpler inasmuch as you have someone on the job to check the work done and the delivery of all materials that are being built into the project—you have some accountant to check the bills as submitted.—A. Cost plus contracts are all checked by the Comptroller of the Treasury who has a special section that does nothing else but that type of work.

Q. Were there any contracts in this period that were let on a basis other than cost plus or cost plus fixed fee?—A. Well, there were many contracts let at a fixed price.

Q. There were?—A. Oh, yes, quite a lot of contracts. In fact many of the contracts are on a fixed price basis subject to changes, modifications of the specifications, in which case there would be a change in the contract which would be arranged through the Canadian Commercial Corporation.

Q. That, of course, would involve an "extra" feature—changes in the specifications. What is the procedure followed in those cases, that is in the case of the fixed price contract with reference to checking the amount of the progress payment as against work done or material supplied?—A. It will depend entirely upon the type of contract. If it were a fixed price contract and the contract provided for progress payments, all progress payments would have to be certified by the service personnel to the effect that the work had been done for which payment is being claimed.

Q. I think we would be interested to have perhaps a more detailed description of what is done there. I would just like to remark, and the chairman will recall, about an experience we had on a matter of progress payments before another committee some years ago, involving another kind of payment in another department, where we found money was paid out before the contract was finished.—A. I think resulting from that, probably, the regulations regarding this sort of contract have been tightened. I know that you will find that the Auditor General still takes up any cases where we make payments out of order, if it is ever done.

The CHAIRMAN: The case referred to by Mr. Fleming, I think it is right to say, had been overlooked by many people before it came to our attention. That came up in the committee dealing with the Veterans Land Act administration—I mean their building program. I quite agree with Mr. Fleming. May I have from you at the same time as you are supplying that information to Mr. Fleming, an idea as to how these inspectors report? Do they report just to the local command, to the local engineer—I mean the man in charge of the Royal Canadian Engineers—or do they report to headquarters at Ottawa?

The WITNESS: They report to headquarters in Ottawa.

By the Chairman:

Q. They report progress on all the works under their charge?—A. All payments on these accounts are made at Ottawa.

Q. The payments are made at Ottawa, yes, but what about the reports of the inspectors?—A. The payment of course is based on the report of the inspector.

Q. But before the payment is made, the inspector must be going around the place. He must be making reports complaining of certain things or agreeing with certain other things during the construction work and reporting on the difficulties arising out of the work, which you just mentioned. I would like to know the procedure that is followed here. Does the inspector report that directly to you at Ottawa or to what branch does he report?—A. In the case of the air service he reports to the air maintenance command; in the case of the army, to the quartermaster general; in the case of the navy, to the chief of naval technical stores.

Q. He sends that report by letter to the office here and then it is attended to. Now, suppose it is an urgent matter that has to be decided upon quickly. Suppose a quick decision has to be made on what has to be done? I do not mean only for the department, but for the progress of the work. Who solves those difficulties on the spot if your field representative has to write the army command in Ottawa? That procedure would take some time.—A. The report would come to Ottawa and it would be referred to the works branch of the service.

By Mr. Macdonnell:

Q. Referred to what—I missed that.—A. The works branch of the service. In the case of the army it is the director of works and accommodation; in the case of the navy it is the director of works; in the case of the air force it is the air maintenance command. They would report then to the chief of the branch, if necessary, for further authority. If it were something in excess of a normal item it would go right up as far as the minister. If it involved variations in the original contract say amounting to over \$50 thousand in value it would go to the minister for approval.

Q. That is when you come to the question of payments?—A. Changes of contracts.

Q. The progress reports all come to Ottawa?—A. Yes.

By Mr. Fleming:

Q. Are those progress reports made on a form?—A. Yes.

Q. You might bring copies of the form to us, Mr. Ross.—A. Yes.

Q. At what interval do your local inspectors make their reports?—A. It will depend entirely on the particular job.

Q. Could you give us some examples so that we might have an idea of the minimum and maximum periods?—A. In bringing forward a progress report form I will bring information just as to what the routine is.

Q. Will you try to be as specific as you can in view of the interest of this committee in such matters as to the detailed method of checking progress on these construction projects? We may be a little allergic to that subject in view of our experience of four years ago.

The CHAIRMAN: May I interject a suggestion here? On the item concerning married quarters, at the bottom of page N-30, I asked a question about it the other day and I think the answer is in the process of being prepared, but on that item we might be interested to know what is the comparative cost of a house for a married officer at a given point and what satisfaction you have had. It is a point that gave us trouble a few years ago with another department and our question is perfectly justified because it might be that your record will be so good that you will be cited for high efficiency compared to the other case.

Mr. MACDONNELL: I have a question, if I may interject it at this point. It concerns the work of checking and so on. Mr. Ross has made clear to us the functions of the Department of National Defence, first of all with regard to specifying the kind of materials they want, that is to say, aeroplanes, and, secondly with regard to inspection. That came up the other day with Mr. Howe in connection with the Canadian Commercial Corporation. The point I am not clear about yet is the exact relationship between the engineering staff which exists in the Defence Production department—

The CHAIRMAN: It was the Canadian Commercial Corporation at that time; the Defence Production department did not exist then.

Mr. MACDONNELL: Oh, yes, it was the Canadian Commercial Corporation at that time,—and the permanent officials of the defence department and then the outside assistance which Mr. Ross has explained to us is obtained from time to time. I think I understand the duties of the defence department throughout

but I am not clear on just how much is taken off their shoulders by the Defence Production department and to what extent. Are there two parallel groups of engineers following through, let us say, the production of aeroplanes?

Mr. DRURY: Perhaps, Mr. Chairman, as I made some statement on this to Mr. Macdonnell the other day, I might speak here if it is agreeable?

The CHAIRMAN: You are quite welcome.

Mr. DRURY: At this time, of course, the Department of Defence Production did not exist. There was in Canadian Commercial Corporation a relatively small staff engaged in supervising the production of equipment and other things for the Department of National Defence. The inadequacy of this staff has been recognized and made good through the creation of the Department of Defence Production with very many more people, and more skilled people giving their services to supervise the proper execution of the contracts that they make.

Now, Mr. Ross has been dealing principally with construction, but you mention the production of aircraft. In the case of production of aircraft the Department of National Defence will develop completely the specifications and plans for that aircraft. These, with a requisition for the production of the aircraft, are passed to the Minister of Defence Production. He then negotiates a contract, either by tender or by allocation, with a firm to produce the aeroplanes. When this contract is negotiated and signed between the Department of Defence Production and the contractor the work starts.

As the work progresses the Department of National Defence is responsible for providing the inspection—the quality control of the work being done. By quality control I mean to say they see that everything which is made is up to specification. The Department of Defence Production, however, is responsible for the proper executing of the contract—that is to see that the contractor lives up to the terms of the contract, that he looks after the rate of delivery, the costing arrangements and so on. The function of the Department of National Defence in its inspection is related only to quality control.

Mr. MACDONNELL: May I interrupt you there?

Mr. DRURY: Yes.

Mr. MACDONNELL: The thing I find a little difficult to understand lies in the words you just used when you said they are responsible for quality control. It would seem to me that Defence Production is in a very real sense there in the same way—seeing the contract is carried out and that it goes along according to plan.

It seems to me it is awfully difficult to differentiate between those two functions. Would not Defence Production have to be alert to the same things which the Department of National Defence is scrutinizing?

Mr. DRURY: They are alert too, but the responsibility for ensuring that the quality of the article produced is according to the specification is, commonly, as a business practice, accepted by the user. I think it is normal commercial practice for a man who makes a contract with a firm to produce something for him to hire inspectors on his own account. There are a number of commercial inspection firms and their job is not so much to see that the required numbers are produced in the required time at the required cost, but to see that all materials and methods of fabrication are according to specification.

Mr. CAMPNEY: Would it not be a fact that the inspectors of the two departments, if you call them that, would work together?

Mr. DRURY: There is some confusion, I think, Mr. Campney, regarding the word "inspector".

Mr. CAMPNEY: I am using it in the general sense.

Mr. DRURY: Inspecting officials should be men concerned with quality control and they do not have in their power the right to change the terms of the contract at all. Their job is to see that everything that goes into the article is up to specification and that the method of manufacture conforms to the specifications. Now, speeding up or slowing down production, or changing the article itself—in other words, changing the terms of the contract—is not the job of the inspector. The responsibility for the execution of the contract in respect of its general terms and conditions is one for the Department of Defence Production. At this time, the time we are considering now, it was Canadian Commercial Corporation.

Mr. MACDONNELL: Well, I am not going to press it further but I still find it difficult to see just what it is that Defence Production supplies which could not be supplied by the Department of National Defence if it is doing what you have described it as doing—with perhaps some official who is skilled in the business of contracts and so on. However, I will not press it.

The CHAIRMAN: They are checking and double checking and that is what Mr. Fleming and I were concerned about in the other matter, whether there was enough checking.

Mr. MACDONNELL: You can check and double check up to a point and then it becomes mere duplication.

Mr. FLEMING: Mr. Ross, are there any outstanding questions in regard to completion or satisfactory performance of any of the contracts set out in these pages?

The WITNESS: I would have to go through and find out.

The CHAIRMAN: We are now on page N-31.

By Mr. Fleming:

Q. If there were any such questions they would be the concern of your department and not that of Canadian Commercial Corporation. Is not that correct?—A. They would be the concern of us as the user.

Q. It might save time and be simpler if I asked now that Mr. Ross bring to us at a later meeting a statement covering any of these construction contracts which have not been completed or performed to the satisfaction of the department.—A. You only have reference to any case where it was not satisfactory?

Q. Yes.—A. Because a lot of these things just run through and there is no difficulty.

Q. I am trying to isolate those where there has been, in the view of the department, failure either in point of completion or in point of satisfactory workmanship, performance, or some similar respect.

The CHAIRMAN: The quality of the goods?

Mr. FLEMING: Yes.

Mr. STEWART: May I pursue the line which was followed by Mr. Macdonnell with Mr. Drury, for a moment. Let us assume that a large contract has been let for some structure—perhaps \$200,000 or \$300,000. There would be a lot of cement required. The quality of the cement mix would be the responsibility of the department, I take it?

Mr. DRURY: That is correct.

Mr. STEWART: Supposing this should happen: that there was a certain venality with the contractor and he was sending his big trucks up with cement mix, a voucher was being signed that it was received, and the truck was being just turned around without delivering the cement—selling it somewhere else. That would not be your responsibility; that would be the responsibility of Defence Production, would it?

Mr. DRURY: That would be the responsibility of Defence Production—that is unrelated to quality.

Mr. STEWART: That is what I wanted to establish.

Mr. FRASER: Well, just a minute. Defence Production would have to check on the quality of that cement mix, surely? They would have to check that because otherwise the job might fall down.

Mr. DRURY: I agree. If no check is made the job might fall down but the Department of National Defence accepts the responsibility for seeing whether the job when it is finished is satisfactory or not. We would have the choice of taking the assurance of Defence Production that it was satisfactory or ensuring that it was satisfactory ourselves.

Mr. JOHNSTON: May I just ask a question there. When you say “satisfactory” what do you mean by that? Do you mean that it is up to specifications or is it just satisfactory to the department? There is a big difference in the terms.

Mr. DRURY: Up to specifications.

Mr. JOHNSTON: I do not know just what you are referring to here but I do know—if I can just mention something else beyond the scope of this committee—that in national housing, for instance, the term is used. The contract must be carried out “according to the satisfaction of the department” but not “according to specification”. “Satisfactory to the department” does not necessarily mean “according to specification”. You understand what I mean there. For instance, with regard to cement in a housing project the cement was run which only tested 700 pounds and that was satisfactory to the department—but it was not according to the specifications.

Mr. FLEMING: Did the specifications call for a greater or lesser strength?

Mr. JOHNSTON: The specifications called for 2,000 pounds but actually when tested the cement was 700 pounds. Yet, the department, through their officials, claimed that was satisfactory.

Mr. DRURY: This is not the Department of National Defence now?

Mr. JOHNSTON: No, it is just on the term. I am trying to find what you mean by “satisfactory to the department”.

Mr. DRURY: Well, by “satisfaction” I mean “according to specifications”.

Mr. JOHNSTON: Is there any extension of that term which the department can apply itself? I have a very specific case in mind, you see, where the government inspector said: Well, I don’t care what that is, that is satisfactory to us.

The CHAIRMAN: Do you mean it is a case of National Defence?

Mr. JOHNSTON: National Housing; in housing. The same term is used here and I want to establish the meaning now.

The CHAIRMAN: You want to know if these people might be guilty of the same thing?

Mr. DRURY: Our practice is to require the inspectors, who after all are performing a mechanical job, to ensure that the quality is according to specification.

Mr. JOHNSTON: Do they actually take a sample of cement we will say at each pouring? Is there a man there when the cement is being poured, because I think that is the regular way?

Mr. DRURY: That I cannot certify is done in every instance. We have a great many of these things going on and I would hesitate to say that a sample is taken and tested every time cement is poured in every house that is being built.

Mr. JOHNSTON: I think probably that is about as far as you can go here, but I am just a little suspicious about the terms "satisfactory to the department" and "according to specification" because we have several instances in mind. I appreciate it would be difficult, and I can see your point, for you to say here that the actual practice was carried out on the job. The great responsibility there would be with the inspector on the job. He may be falling down on his duties unknown to you.

Mr. DRURY: That is always possible.

Mr. JOHNSTON: I recognize the difficulty especially on large projects and where they are scattered over large areas, but I do think to safeguard the department and the money which is being spent, great care should be exercised particularly in regard to cement because there is no other place I know of where you can be beaten faster.

Mr. FRASER: Mr. Chairman, one reason I mentioned this was because of a heating contract that was let.

The CHAIRMAN: By the Department of National Defence?

Mr. FRASER: Yes, the Department of National Defence. They evidently accepted it as being O.K.

The CHAIRMAN: Where do we find it in the book so that we can put our hands on it?

Mr. FRASER: All right, then; "Operating Expenses of Properties"; it might come under that item.

Mr. CROLL: It might. What is the page?

Mr. FRASER: N-30.

The CHAIRMAN: I do not want to restrict the discussion, but it should have to do with projects which we are looking into right now. I would like to see where we are going.

Mr. FRASER: Would it not come under that item?

The CHAIRMAN: "Acquisition, Construction and Purchase of Properties". Which one of them?

Mr. CROLL: Take any one of them, Mr. Chairman.

The CHAIRMAN: I think Mr. Fraser said he had one in mind which he knew about in particular.

Mr. FRASER: Yes, I do know about it.

The CHAIRMAN: Very well. Pin it down.

Mr. FRASER: Put it under "Operating Expenses".

The CHAIRMAN: Where is the building in the book? Which building? If you are asking a question about a project, I think it is only fair to the committee and to the officials that they should know which one you are talking about. Is your question merely about something which is to remain vague?

Mr. FRASER: Very well. I shall give it to you. I have in mind the armouries in Peterboro. We are talking about contracts.

The CHAIRMAN: I think we have passed the army, but we can go back. Is it page N-18 or N-25?

Mr. CROLL: Let us hear his statement.

Mr. FRASER: We are talking about contracts and inspection. I understand that a contract was given there for heating. It was evidently accepted as being O.K., and everything went along fine until they got into zero weather, when the pumps of the heating system went wrong. Evidently the right kind of pumps had not been put in and in sub-zero weather they went wrong. There evidently was not proper inspection of that heating equipment in the first place, otherwise it would have stood up for more than six months.

Mr. DRURY: I would suggest, Mr. Chairman, without knowing the details, that the wrong pumps were specified. That is something which would not be evident upon inspection; or, on the other hand, the pumps were properly specified but were faulty, something which would have been overlooked in the inspection. But without knowing all the circumstances of the case, it would be pretty hard to generalize on what might have happened there.

The CHAIRMAN: The assistant deputy minister would like very much to get the name of the project you mentioned, and where it is, so he can trace it and give you an answer.

Mr. FRASER: Very well. It is the armouries in Peterboro.

The CHAIRMAN: The armouries in Peterboro.

Mr. DRURY: I do not think it relates to the financial year under examination, Mr. Chairman.

The CHAIRMAN: Is it prior or subsequent to that financial year?

Mr. FRASER: No. I believe it would be in that year, Mr. Chairman.

The CHAIRMAN: Well, you have got the book there. It is your problem to find it and give it to us.

Mr. CROLL: Mr. Chairman, while Mr. Fraser is looking for it, let us go on. He can find it and tell us about it in due course.

The CHAIRMAN: Very well. Mr. Fraser will find it and give it to us later.

By Mr. Fleming:

Q. Mr. Ross, were there any of these cases of construction projects where the department, for any particular reason, accepted something less than what the contract called for?—A. I have no knowledge of any case of that kind.

Q. Would you mind making an inquiry about it in order to satisfy yourself on the point?—A. Yes. That really would be reflected in any adjustments made on any of the contracts.

The CHAIRMAN: Would you mind speaking up?

The WITNESS: As I said, that would be reflected in any report I would bring in on contracts not satisfactorily completed.

By Mr. Fleming:

Q. I want to be quite sure that your report covers cases where the department said: This job is not perfectly completed, but the department will accept it, even though it may not measure up to the terms of the contract.

Mr. CROLL: Do I understand that Mr. Fleming's question will relate to all contracts covered during the fiscal period in question?

Mr. FLEMING: Yes.

Mr. CROLL: Would Mr. Fleming consider what that might involve in the way of research? Is it worth it?

Mr. FLEMING: I tried to isolate it, and to narrow down the problem. As it stands now, what Mr. Ross has been asked for is a statement for the committee in due course as to any contracts which have been entered into in this fiscal period, or contracts in which payments were made in this fiscal period in which:

- (a) the contracts have not been completed, or
- (b) in which the performance was not satisfactory.

Mr. CROLL: Do you not want on the first part "not completed"?

Mr. FLEMING: Not completed in accordance with the contract.

Mr. CROLL: That is right, not completed in accordance with the contract.

Mr. FLEMING: I think that is quite clear. There may have been contracts entered into during this period which, according to their terms, could not be completed until the following fiscal year. But we are not concerned with them. We are concerned with those which were not completed according to the terms of the contract.

The CHAIRMAN: Are there any further questions on this subject?

Mr. CROLL: What page are we on, Mr. Chairman?

The CHAIRMAN: Page N-30 or N-31, the same item, "Allotments: Royal Canadian Navy—General."

By Mr. Fleming:

Q. My question would apply generally. I thought I would save time. It would apply generally to the contracts projected in the department during this fiscal period.

In awarding contracts for construction work, I think you made it clear enough that your department has nothing to do with the awarding of the contract to a particular contractor, or the selection of a contractor?—A. No.

Q. That would be the responsibility of the C.C.C.?—A. That would be the responsibility of the C.C.C.

Q. Who makes the selection of the architects or the engineers retained to provide the inspection service?—A. That is done more or less from a list of architects that is available. Mostly it is difficult to get them with the volume of contracts going on. It is hard to get very many architects who are free to do this kind of work. That is done also by the C.C.C.

Q. Let me understand this. In the first place, who makes, from the list, the selection of those who are retained to perform this service? Does your department do it or does the C.C.C. do it?—A. The C.C.C. They make the contracts with the architects.

Q. Do they? And you have nothing to do with the selection; your department has nothing to do with the selection of the architect or the engineer retained?—A. I understand it is done exactly the same as in any other form of request for work. I understand that tenders are called and, as a rule, the lowest tender is accepted. Anything contrary to that would have to be explained by the C.C.C.

Q. I want to be quite clear on this matter. Has your department nothing to do with the selection of the architect or the engineer?—A. No!

Q. What is this list that you speak of?—A. It is just a list of architects in different parts of the country, a complete list of all architects.

Q. Is that list in your department?—A. No. It is only a list of the people who are asked to tender for work, the same as for other types of equipment.

The CHAIRMAN: Surely you do not ask architects to tender?

The WITNESS: That is my understanding. The C.C.C. do the work so perhaps I am answering out of turn.

Mr. CROLL: Do not answer then.

The CHAIRMAN: We will get that from the C.C.C. when they come here. I do not think that architects would be called on to tender on their work. Their fees are fixed fees.

By Mr. Johnston:

Q. Are these inspectors appointed in any way so that there is some responsibility attached to them? For example, if they pass a job following inspection of it and say that the job is O.K., and then it is later found that the inspection was faulty and that the contractor did not live up to his specifications, is there

any way in which you can come back on the inspector? Would he be bonded with a responsible bonding company who would be answerable?—A. No. He is an employee of the Department of National Defence.

Q. So there is no security there to ensure that his inspection has been proper?

Mr. CROLL: There is the security of his job.

Mr. JOHNSTON: That does not make any difference, because once the job is passed, even though he may lose his employment, that does not alter the fact that there was a faulty inspection.

The CHAIRMAN: Is he not a permanent officer in the department? Would it not be the same for all other departments having work to be performed? They are permanent officers of the department?

Mr. JOHNSTON: I have seen many cases where faulty work has been passed by inspectors and it seems to me that the government would be relieving itself of a great responsibility if these inspectors were bonded by a reputable bonding company.

The CHAIRMAN: You mean even though they are permanent departmental employees?

Mr. JOHNSTON: Yes, if they are placed in the position of an inspector of a job. It seems to me that there should be a great deal more caution practised by an inspector. It would certainly safeguard the government.

Mr. CROLL: It just occurs to me that if a government employee is not to be trusted by the government, would a bonding company trust him?

Mr. JOHNSTON: It seems to me that when the government has so many projects scattered far and wide, it is almost impossible for them to be assured that the inspectors in all places are up to par. I can see the difficulty that the government has in that regard.

The CHAIRMAN: That would be a question of government policy which this committee would not have to decide upon.

Mr. JOHNSTON: Yes, Mr. Chairman, but it might make a good recommendation.

The CHAIRMAN: Oh yes.

By Mr. Fleming:

Q. I think it is worth following up. Mr. Ross, is it quite clear that your department has nothing whatever to do with the selection of the persons, whether they be architects or engineers, who are retained outside of the department to inspect construction projects and advise your department as to the progress of the work and the value of the work done?—A. It is all done by the C.C.C. Contracts for any work or any service of that kind are taken care of by the C.C.C. We are not responsible for the contracts.

Q. Let me follow that up. Is it quite clear that your department has nothing to do with the selection of these architects or engineers?—A. I would say yes, that is true.

Q. Is this list that you speak of not in your own department?—A. No. I am speaking of the same list of firms as in any business. There is a list of architects, the same as a list of inspecting firms. It is all done through the C.C.C.

Q. You are quite clear that there is not in your department any list of firms, whether of architects or of engineers?—A. We may have a list, but it is a list which is issued by the institute, the same as any group would have.

Q. In other words, you have no list for such a purpose except a list issued by the professional association of architects and engineers?—A. That is right.

Q. Are there any cases where you have not been satisfied with the service rendered by way of inspection?—A. Not that I know of.

Q. Would you mind checking on that point?—A. I would be glad to check and see if that comes under the category of contracts which have not been satisfactorily completed.

Q. It might be unsatisfactory to them or it might not, depending on the circumstances.

The CHAIRMAN: Any questions having to do with contracts will be left for the C.C.C. when we get them here.

Mr. FLEMING: Yes. We are bound to run into the problem from time to time of deciding just where the jurisdiction of one branch leaves off and the jurisdiction of the other branch begins.

The CHAIRMAN: We can inquire whether it is one or the other; but when the witness states it is the C.C.C., we must take his word.

Mr. CROLL: What page are we on, Mr. Chairman?

The CHAIRMAN: Page N-32.

Mr. PEARKES: May I ask a question on page N-31?

The CHAIRMAN: Certainly.

By Mr. Pearkes:

Q. Under the heading "General—purchase of land . . .", there is an item for 44.3 acres of land at Esquimalt. May I ask what is the purpose of the purchase? The price seems extremely high for the acreage. It is not in a city.

The CHAIRMAN: Would you kindly tell us where it is?

By Mr. Pearkes:

Q. Under the heading of "Miscellaneous", on page N-31, "General—purchase of land, . . .".

"Alice Maude Buxton received \$28,400 for 44.3 acres of land at Esquimalt, B.C."

I would like to know where that land is and for what purpose it was purchased.—A. I could obtain that information for you.

Q. We have not got that information here now?—A. No.

Q. Then, I would like to know for what purpose and whether a fair price was paid for the land which was sold by Thomas Nowlan, George Nowlan and Nowlan's Limited, involving the amount of \$75,000 for land in New Brunswick.

Mr. NOWLAN: I was wondering if someone would bring that up. I can assure my honourable friend that it is only a coincidence that the name appears there. Unfortunately I did not participate in that arrangement.

The CHAIRMAN: Can we pass on to air service then?

Mr. WRIGHT: I would like to ask Mr. Ross a question about the item "E" on page N-32 where it says, "fees for special courses, \$704,626.81". How many personnel took these special courses referred to in that item on page N-32?

Mr. PEARKES: Where is that, please?

Mr. WRIGHT: In item "E" on page N-32.

The CHAIRMAN: Oh yes, just above air services.

Mr. PEARKES: Oh yes.

Mr. WRIGHT: Just above there in that item "E".

The WITNESS: You want to know the number?

Mr. WRIGHT: Yes, the number of personnel who attended these special courses.

The CHAIRMAN: The witness might also give us a breakdown of the details of that item of \$704,000; perhaps that would be more satisfactory.

Mr. WRIGHT: That is what I want, a breakdown of that item.

The CHAIRMAN: Have you a breakdown of that amount?

The WITNESS: I can get a breakdown on it for you showing the number of personnel who attended these special courses, this refers to executive officers who took courses in gunnery, torpedo anti-submarine warfare and navigation direction in the United Kingdom, and also the qualifying course for lieutenants.

Mr. WRIGHT: That would give us the number of personnel who were sent over for these courses?

The WITNESS: That is right.

Mr. FRASER: Mr. Chairman, under "married quarters"—on pages N-30 and N-31—and also under air and naval services—

The CHAIRMAN: Would you mind speaking up a little louder, please?

Mr. FRASER: —it would also be in air and army. What happens to the rent that you receive for these married quarters? The reason I am asking that is because of what appears here in the Auditor General's report on page 6 where he says: "the rentals collected were used by the department to reduce charges to its vote for pay and allowances, thus augmenting its appropriation with the revenues obtained from the investments of a crown corporation"; evidently instead of paying the interest on the debentures of 2 per cent. I wonder if that was done in all these cases?

The WITNESS: Did you say page 6 of the Auditor General's report?

Mr. FRASER: Yes, right down about the seventh or eight line from the bottom of the page.

The WITNESS: Oh yes.

The CHAIRMAN: Have you got the statement there?

The WITNESS: Yes. It was planned that the department would take over the debentures of the Central Mortgage and Housing Corporation in blocks of 100 units estimated to cost one million dollars and this is provided for in vote No. 821, on page 18, of the further supplementary estimates of 1950-51. The Department of National Defence would thereafter be responsible for the payment of the carrying charges and those charges would be met by the amount provided in the estimates for subsistence: The vote reads—

To authorize the Minister of National Defence, on transfer to the Department of National Defence of works or buildings, or both, constructed or converted by Central Mortgage and Housing Corporation for the said Department, to assume the obligation of the Corporation to repay advances made to it in respect of the works and buildings so transferred, together with interest, in accordance with the terms of the relevant debentures delivered by Central Mortgage and Housing Corporation as evidence of the obligation, the Corporation to be fully discharged from the said obligation to the extent that it is so assumed.

Now, the way that is done is by providing in the estimates for the subsistence charge or allowance in respect of rental. When a man occupies one of these houses we do not pay him subsistence; I mean, the soldier, the service man who is provided with the accommodation is not charged actual rent, but he does not draw subsistence.

Mr. NOWLAN: What do you mean; does not draw subsistence?

The WITNESS: Well, if we can't provide a service man with quarters we have to pay him a subsistence allowance which includes an element for accommodation and for rations.

By Mr. Fraser:

Q. How would you balance your accounts on that?—A. You mean, in this case?

Q. Yes, how do you balance up your accounts in cases of this kind where the department is supplying him with a building? I mean, where another department has supplied you with the buildings? Isn't that the case?—A. No. We subsequently took over these buildings in the sense that we would take over the debentures and therefore we would own the buildings for the purpose of operation.

Q. Now, wait just a minute. There is a matter of the redemption of the debentures. It says here— —A. We have already done that and that is what these rentals are being used for and should be used for.

Q. Yes, by what it says here these rentals were to be used for redeeming and cancelling these debentures and apparently instead of that they are being used in the form of pay and allowances.—A. Well, if I may go back on the item that was included in the supplementary estimates. It was not known whether the total housing program would require to be financed over a number of years and it was subsequently found that the payments could be made progressively from appropriation and provision was made in the further supplementary estimates for a portion expended up to the 31st of March 1951. After being taken over this becomes the property of the Department of National Defence. This is a case of just a little uncertainty as to how the matter would be handled. The property is now owned by the Department of National Defence and we have to maintain it.

Q. Do you get a special vote each year?—A. There will be provision for maintenance purposes, in future.

By Mr. Nowlan:

Q. As I understand it the man in married quarters on the ground receives no subsistence allowance; that is charged against rent?—A. That is exactly it.

Q. And "Jones" who is living off the camp ground and paying rent himself is provided for; he receives subsistence?—A. He draws subsistence allowance, and that subsistence is a part of his pay and allowances. He either gets accommodation which we have to maintain or else we pay him subsistence in lieu of it.

Q. And as the subsistence allowance has been increased then your rental charge is also increased as well?—A. Exactly.

Q. And the service man pays income tax on that?—A. Up to 60 per cent; it is a percentage of it.

Q. But he pays income tax?—A. On a percentage of it.

Q. Although he does not receive it at all?—A. It is equivalent to the value having been paid.

Mr. FRASER: In spite of the fact that he receives nothing in cash that is the same as rent.

Mr. NOWLAN: Yes, it is in lieu of rent.

Mr. FRASER: What happens there is that he pays income tax on rent allowance.

The WITNESS: In setting up the estimates for each year we have to take into consideration the amount of money that will have to be paid out for pay and allowances and in doing that we have to figure that so many people will be provided with accommodation and therefore the pay and allowances are reduced by the amount of money that we have to pay out in the way of maintaining the property—fuel, light and so on.

The CHAIRMAN: But you do not charge, or credit the whole of it?

The WITNESS: No. We do not use a costing system. It will be prohibitive to try to do that.

By Mr. Fleming:

Q. You speak about the subsistence allowance; where do you draw the line on subsistence in the case of married personnel?—A. There are different rules, you know. Married people as distinct from single people.

Q. I am wondering how that relates to this matter of providing accommodation for married personnel. It is simple enough in the case of single personnel.—A. On page N-9 you will find a statement of the different rates paid. It shows there the subsistence allowance which is payable if proper quarters are not available at normal places of duty, and rations are not provided. If either is provided the allowance is stopped or reduced.

Q. Take the case where an officer has hitherto been living out with his family and he now has quarters, married quarters in this new construction project. The subsistence allowance, I gather, is taken over.—A. He ceases to draw a subsistence allowance.

Q. Completely?—A. If he is receiving quarters and rations.

Q. Then he will still draw his marriage allowance? His subsistence will be taken over by your department on another account?—A. You will notice on page N-11 there is a notation by star that the marriage allowance is subject to a reduction of \$10 per month if occupying permanent married quarters or \$250 a month if occupying temporary married quarters. He loses his subsistence plus \$10.

Q. And are these married quarters, these apartments, all uniform in size and value so that they admit of being treated in that general way that you just mentioned: in every case, just set a rent, in effect, at subsistence allowance plus \$10 a month?—A. When we started out with married quarters there was a question of finding accommodation, and we converted many buildings into two groups, one which we called temporary quarters where we allowed them to use the buildings and they made certain modifications. In other cases we converted buildings to apartments, it started out at \$2500 to convert an apartment, and our principal concern in the earlier stages was to provide accommodation for service people with families. The rates that are laid down there are not based on rents, as you will notice. You may have an officer living in quarters that cost exactly the same as a private, but it was done for the purpose of accommodating married personnel with families.

Q. I am interested in getting at the fact, and the fact is that in putting officers or men into these married quarters when they are constructed, there is no attempt to set a rent in relation to the value of the particular apartment but in every case what you do, in effect, is to charge that officer or man his subsistence allowance plus \$10 a month.—A. That is correct. We have provided in the plan for married quarters for three types of houses if we can get them, and they will be smaller for the lower grade and larger as you go up. We have not reached that stage yet, it is just being developed, and in that case one would expect that the rank and file would be in the smaller type houses and officers in the larger type.

The CHAIRMAN: I asked at the last meeting for a return, which is not yet ready, in regard to the cost of construction of married quarters.

The WITNESS: That is right.

Mr. FLEMING: Is that to cover all these projects?

The WITNESS: I suggested that you might get a better reply on the costing from the Canadian Commercial Corporation who would have all the contracts. I have to produce a paper on these married quarters at Dartmouth.

Mr. FLEMING: It was just at Dartmouth?

The WITNESS: Yes.

The CHAIRMAN: That was all I asked for.

Mr. FLEMING: I did not know whether it was just that one particular project.

The CHAIRMAN: I tried today to extend it so that we can have an idea as to what the married quarters houses cost throughout Canada.

By the Chairman:

Q. It is not to your own personal knowledge that it is the Canadian Commercial Corporation which has that information?—A. They have the whole information.

Q. But what have you today?—A. I can give information with respect to these items that are here.

Mr. FLEMING: All of them in your department?

The WITNESS: In this 1949-50 report.

Mr. BOISVERT: Mr. Chairman, I would call your attention to the fact we have no quorum.

Mr. CROLL: Before you mention that, may I refer to one thing. Some time ago we decided to deal with the matter of the writeoff of debts and the chairman was to deal with the matter. May I suggest, and I will so move, that the chairman appoint, after consultation, a subcommittee of this committee, for the purpose of dealing with that particular matter.

The CHAIRMAN: Is that agreeable to the members—of course, after consultation with the opposition parties? We would like to have this subcommittee appointed. The Minister of Finance has asked us if we could deal with this matter before he sends to us at a later date the Consolidated Revenue and Audit Act. The Minister of Finance has asked us if we could deal with this before he sends that Act to us; so with your permission I will consult the opposition parties and appoint a subcommittee to deal with this question. We would like the subcommittee to be as small as possible because we only have a limited number of copies and they would have to be left in the hands of the members for a few days in order that they will be able to read them over.

Mr. FLEMING: I think we might as well put this economy directive in the minutes.

The CHAIRMAN: Mr. Fleming asks that the documents tabled early in the meeting concerning the instructions to departmental officials on economy be added as Appendix D.

Agreed.

(See Appendix D)

Mr. CROLL: Is the motion carried as to the subcommittee?

The CHAIRMAN: Yes. Our secretary tells me there was a hitch in the arrangement the other day in connection with the sitting of the Banking and Commerce Committee. They are meeting on Tuesday next at 11 o'clock.

Mr. FLEMING: They have pre-empted our time of 11 o'clock on Tuesday. I suggest we leave the time of our Tuesday's meeting in your hands.

The CHAIRMAN: Will you leave the meeting to the call of the Chair?

Agreed.

—The committee adjourned.

APPENDIX "A"

CANADIAN ARMY (RESERVE AND SUPPLEMENTARY RESERVE) PERSONNEL
EMPLOYED IN INDIA, PAKISTAN FROM 1 APRIL, 1949 TO 31 MARCH, 1950

Rank and Name	Total P&A issued during 1949-50	Period of Employment
Brig. A. V. Tremaine	\$4,230.00	1 Apr 49 to 12 Oct 49
Lt. Col (Later Brig.) H. H. Angle,	3,210.53	1 Apr 49 to 15 Nov 49
		22 Dec 49 to 16 Jan 50
Major W. H. L. Sellings	1,248.37	1 Apr 49 to 18 Jul 49
Major M. F. P. Vallee	853.47	1 Apr 49 to 14 Jun 49
Lt. Col. A. G. Wygard	3,114.31	30 Jun 49 to 31 Mar 50
Major C. D. Ives	2,497.30	4 Jul 49 to 31 Mar 50
Major W. T. Thompson	3,033.77	11 Jul 49 to 31 Mar 50
Major G. S. Vaugheois	3,242.97	12 May 49 to 31 Mar 50
Major H. S. C. Archbold	2,435.83	1 Sep 49 to 31 Mar 50
Major F. E. Eaton	2,435.83	1 Sep 49 to 31 Mar 50
Major J. L. Malkin	1,959.83	1 Sep 49 to 31 Mar 50
Major H. S. Moore	2,738.63	5 Sep 49 to 31 Mar 50
Total	\$31,001.24	

Expenses other than pay and allowances paid by the United Nations Commission.

APPENDIX "B"

MISCELLANEOUS GRANTS—\$22,279.94

(Being part of amount of \$536,613.53—N-27 para. E.)

These grants classified as "miscellaneous" were for the maintenance of physical fitness equipment. Grants were payable to units and establishments on the basis of actual cost of maintenance not exceeding \$2.00 for each officer and man on strength of the unit or establishment as at December 31 each year.

Physical Fitness equipment is for the following exercises: Baseball, Basketball, Cricket, Hockey, Lacrosse, Rugby, Football, Rugger, Soccer, Softball, Track and Field, Volleyball, Water Polo, Badminton, Boxing, Fencing, Golf, Handball, Squash, Swimming, Tennis, Wrestling.

APPENDIX "C"

EMPLOYMENT OF COMMISSIONAIRE SERVICES

The following numbers were authorized for employment at Halifax, N.S., during the fiscal year 1949-50.

H.M.C. Dockyard, Halifax, N.S.: 1 Officer, 95 cents plus 6½ cents; 1 Staff Sergeant, 87 cents plus 6½; 8 Sergeants, 83 cents plus 6½ cents; 20 Corporals, 79 cents plus 6½ cents; 74 Commissionaires, 75 cents plus 6½ cents.

R.C.N. Air Station, Dartmouth, N.S.: 1 Sergeant, 83 cents plus 6½ cents; 2 Corporals, 79 cents plus 6½ cents; 18 Commissionaires, 75 cents plus 6½ cents.

No. 15 Regional Ordnance Depot, RCOC: 1 Corporal, 79 cents plus 6½ cents; 4 Commissionaires, 75 cents plus 6½ cents.

The rate of compensation for the employment of Commissionaire Services is set by Order in Council for each rank of Commissionaire. The basic rate for Privates of the Corps is set as 5 cents less than the authorized prevailing rate

for Labourers in the locality concerned with a maximum rate of 75 cents an hour. However, there is an exception for employment in British Columbia where a maximum rate of 87½ cents per hour is authorized. Higher rates are authorized for the employment of NCO's and Officers as indicated above.

In addition to the authorized basic rate, 6½ cents per hour is paid to the Corps for each hour of service in consideration of Administrative Expenses involved. This additional payment is broken down as follows:

- (a) 5 cents to the Local Division of the Corps.
- (b) 1½ cents to the Headquarters of the Corps in Montreal.

Accounts are paid twice monthly. The Local Treasury Officer makes payment for the basic rate per hour plus 5 cents per hour for administrative expenses direct to the Local Commandant of the Corps, and forwards one copy of each account to the Chief Treasury Officer, N.D.H.Q., for payment of the additional 1½ cents per man hour to the Corps Headquarters at Montreal.

Service provided is on the basis of a 56 hour 7 day week. Reliefs, hours of work, leave, and actual payment of individual commissionaires are the responsibility of the Corps.

APPENDIX "D"

INSTRUCTIONS RELATING TO POLICY OF ECONOMY IN EXPENDITURES

Office of the Deputy Minister of National Defence

MEMORANDUM

December 1, 1950.

Mr. Ross
C.N.S.
C.G.S.
C.A.S.
C.D.R.B.

Economy in Expenditure

The Minister has received a letter from the Minister of Finance reporting a reaffirmation of his instructions to government departments to curtail, insofar as possible, non defence expenditure and calling on all government departments to practise the greatest possible economy.

While such a directive is largely inapplicable to this department, and our expenditures are not being called immediately into account, there is a little doubt but that increasing attention will be focussed on all types of defence expenditure and endeavours made to draw comparisons.

The Minister has requested that the utmost economy be observed in our operations and all non essentials be eliminated.

In this matter we should be like Caesar's wife and set a standard of efficiency and austerity which will be an example to all.

Signed (C. M. DRURY)

September 18, 1950.

C.N.S.
C.G.S.
C.A.S.

Construction

As you will be aware, the government has severely restricted all other government departments in their constructional activities both for the current year and planned for next year, even to the extent in some instances of incurring

liability for damage action arising out of breach of contract. In Ottawa, for instance, work is to be terminated for the time being on the new Veterans Affairs building as soon as it can be closed in sufficiently to withstand the elements.

You will appreciate that a full-scale construction program by the department involving items which may be desirable but are not essential, would lead to criticism of the department and tend to create bad feeling.

I have discussed this with the Minister and he has directed that all construction is to be rigorously screened with the above in mind and all building not essential immediately is to be deferred. I will therefore, have to have, in respect of each building project, a detailed justification for the Minister for each item concerning which a contract has not already been let.

(sgd.) C. M. DRURY,
Deputy Minister.

OFFICE OF THE DEPUTY MINISTER OF NATIONAL DEFENCE

August 18, 1950.

C.N.S.
C.G.S.
C.A.S.

Our attention has been brought to a directive issued by the Cabinet authorizing a review by the Treasury Board of all public expenditures proposed to be made in the current fiscal year.

The review is necessary in the light of the Government's greatly increased defence program and is for the purpose of deferring, wherever possible, construction and other projects of a non-essential character. Government departments and agencies are to co-operate to the fullest extent with Treasury Board officials to achieve the necessary reductions in public spending during the current fiscal year.

While Defence appropriations are being increased, the Treasury Board would like to be assured that in curtailing other departments' programs everything will be done by this department to eliminate all or any expenditures which could be considered as not really essential at this time and could be deferred to some future date.

It is, therefore, suggested that a directive should go out to all concerned, drawing attention to the necessity of exercising every economy so that we get only the things required for the efficiency of the services under the accelerated program.

I would like to have a copy of the directive issued to show to the Treasury Board the steps taken by us in this matter.

(Sgd.) A. ROSS
for (C. M. Drury)
Deputy Minister.

In Atlantic coast temporary memoranda

(Issued to all ships, establishments and other authorities in the Atlantic Command)

ACTM 103/49

Usage of Naval Stores

The need for economy in the use of consumable stores has been stressed several times in recent months by memorandum and despatch from Naval Headquarters. To date, the results obtained have been most disappointing. Instances are continually being reported of excessive demanding by Ships and Establishments for consumable stores. A good example is the extravagant use of paint without reference to the limitations imposed by Naval General Order 23.00/10.

2. Where there is evidence that consumable naval stores are not being issued in the smallest quantities compatible with efficiency, the Commanding Officer or Senior Authority is to inform the persons concerned that the provisions of KRCN Article 12.90 will be rigidly enforced and that any person wilfully or negligently conducing to the improper expenditure of stores is financially liable and subject to deductions from pay until the Crown is reimbursed.

3. The object is not to levy fines for incompetence or wasteful methods, but to eliminate the growing tendency of asking for "two when one will do", in order that maximum use may be made of the funds provided, and that each Ship will receive a fair and adequate supply of stores.

(AC: 6000-1, AC: 8150-300)

Promulgated to date 26 October, 1949.

In Pacific coast temporary memoranda

(Issued to all ships, establishments and other authorities in the Pacific Command)

PCTM 106/49

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FOPC.6000-1
FOPC.6001-950

Promulgated to 19 October, 1949.

In Canavhed Temporary Secretariat Memoranda.

(Issued to all Heads of Branches and Directors at Naval Headquarters.)

Temporary Secretariat Memorandum No. 580

N.S.6600-1
22 October, 1949.

Requisitions for Office Equipment and Office Furniture

Requirements for additional office equipment and office furniture in the Department of National Defence have now reached such a volume that stringent economy measures must be enforced.

2. In future, all requests on the Department of Public Works for furniture and Forms O.E.D.5 for office equipment are to be forwarded to the office of the Naval Secretary for screening prior to forwarding to the Deputy Minister's office.

3. These forms should be accompanied by a brief memorandum giving full details of the requirement and indicating what steps have been taken to ensure that surplus furniture or equipment is not available from other Branches or Directorates within Naval Headquarters.

Temporary Secretariat Memorandum No. 681

11 May, 1950.
N.S.7570-HQ48

Use of Official Envelopes

It is noted with great concern that the use of Form HQ 48, Department of National Defence envelopes, has reached the fantastic figure of approximately 300,000 a month.

2. Immediately, steps shall be taken to ensure a far greater economy in the use of these covers, particularly for internal correspondence within Headquarters.

3. Labels CNS 2432 for classified correspondence and an unnumbered gummed label for unclassified correspondence shall be used henceforth on all internal correspondence within the Department. Used envelopes are to be carefully opened, saved and re-used.

4. As trials with using gummed labels on mail going outside the Department have been unsuccessful due to labels fouling the postage meter machines, all mail for activities outside Naval Headquarters and to civilian addressees shall be sealed and addressed in the normal manner in the envelope.

Temporary Secretariat Memorandum No. 724

25 August, 1950.
NSC:2200-50

As a result of the increased defence program, it is desirable that some reduction be made in the current fiscal year's spending. To achieve this, the Cabinet has directed that the Treasury Board make a review of all proposed public expenditures for the purpose of deferring, wherever possible, projects of a non-essential character.

2. All Government departments and agencies have been directed to co-operate to the fullest extent with the Treasury Board officials to achieve the necessary reductions. However, before other departments' programs are curtailed, the Treasury Board would like to be assured that everything is being done by this Department to eliminate non-essential expenditures.

3. Directors are to review their projects with a view to eliminating such expenditures.

P.T.O.

Temporary Secretariat Memorandum No. 818

Requests for Office Equipment and Furniture

23 April, 1951.
N.S. 6600-1

Stringent economy measures shall be enforced in requisitions for office equipment and furniture at Naval Headquarters.

2. All such requests for equipment and furnishing shall be requisitioned on the following forms.

(a) CAFA9 in quadruplicate

(b) OED4 or OED5 in original only.

3. The forms prescribed in 2(a) and (b) shall be forwarded to the office of the Naval Secretary for screening who in turn will forward the requisition to the Commandant of the building applicable.

4. Heads of branches and directorates shall report any surplus furniture or equipment, and its location to the Command officer BYTOWN.

*Temporary Secretariat Memorandum No. 822**Economy in the Use of Paper*

4 May, 1951.
N.S. 7553-1

CANAVHED has been informed that there is a shortage of paper in Canada, and difficulties and delays will exist in future deliveries. The following instructions shall be introduced immediately to effect as great an economy in the use of paper as possible:

- (a) the use of both sides of the sheet shall be instituted immediately in the case of all routine correspondence;
- (b) copies shall be prepared on thin uncrested paper;
- (c) care shall be taken that the exact number of copies only be prepared;
- (d) letters shall be single spaced in all cases;
- (e) the smallest suitable envelope shall be used in every case; full use shall be made of economy stickers on used envelopes.

ARMY HEADQUARTERS

HQS 4200-C
Ottawa, 29 Aug. 50.

1. Appropriations for the Department of National Defence for the current fiscal year are being increased. Programs of a number of other government departments are being curtailed, in particular construction and other projects are being deferred wherever possible, to provide part of the increase being made in the National Defence Appropriation.

2. Every economy in the use of the increased National Defence Appropriation for 1950-51 must be exercised, if the essential needs of the defence program this year are to be met. The increased resources provided—in equipment and materials, supplies and services, manpower—cannot prove sufficient for the carrying out of essential work, if any part of the total resources provided is wasted in desirable but not essential expenditure.

3. The same considerations apply respecting the fiscal years which lie immediately ahead. The request to Branches and Commands for submission of details of estimates of financial requirements for fiscal year 1951-52 will be going out shortly. Draft estimates of requirement submitted must be checked and examined carefully at all levels of review, to ensure that no less essential items or requirements are recommended, with resulting possibility that resources are dissipated in performing desirable but not essential work while essential requirements suffer.

H. D. GRAHAM,
Maj. Gen.,
for (Charles Foulkes)
Lieutenant-General,
Chief of the General Staff.

Distribution

Commands
Liaison Staffs
RMC
DM
AG
QMG
Vice Heads of Branches
Deputy Heads of Branches
All Directorates.

DEPARTMENT OF NATIONAL DEFENCE

HQ. 6001-5 (DOS) 484

OTTAWA, Aug. 28, 50.

Conservation of Equipment and Facilities

1. The current expansion of the Canadian Army, after a period of restricted expenditure on equipment and facilities, renders it more important than ever that the most economical use be made of such equipment and facilities as are available.

2. Care will be exercised in the condemnation of equipment. Responsible officers will ensure that recommendations for condemnation are carefully screened with a view to determining the possibility of repairing and placing back in service items which may be in short supply. The foregoing applies particularly to hand and power tools, barrack equipment and electric motors.

(N. E. Rodger)

for Major-General
Quartermaster-General.

DISTRIBUTION

For action

Headquarters, Eastern Command
Quebec Command
Central Command
Prairie Command
Western Command

For Information

Command Ordnance Officer, Eastern Command
Quebec Command
Central Command
Prairie Command
Western Command

Commandant, No. 25 Central Ordnance Depot, Montreal
No. 26 Central Ordnance Depot, Ottawa
No. 27 Central Ordnance Depot, London

DOS
DQOP
RCOC School
DADS (Pubs)
IQS
Chief Auditor DND

OFFICE OF THE DEPUTY MINISTER OF NATIONAL DEFENCE

MEMORANDUM:

August 1, 1950.

C.N.S.
C.G.S.
C.A.S.

In view of the present situation, it is suggested that declarations of surplus be carefully screened with a view to determining the possibility of repairing and placing back in service articles which may be difficult to obtain. This step will also save funds which can be used for the purchase of more urgently needed equipment.

It is realized that certain types of equipment are declared because of obsolescence, age, etc., and declarations in such instances are justified but particular attention should be given to declarations covering hand and power tools, barrack equipment, electric motors, etc., where such equipment is repairable.

(sgd.) C. M. DRURY,
Deputy Minister.

II

12/Regtl/Gen/1

ADOS(DO)

It is requested that your staff be informed of the above and instructed to screen carefully all stores which may be declared surplus to ensure there is no immediate need; nor future need for such stores, whether in present condition, repairable, or for use as spares.

(Sgd.) A. T. SMITH,
Colonel,
Director of Ordnance Services.
HQS 801-50-0 (QMG)
TD. 15

Copy—GB—

MEMORANDUM

DEPARTMENT OF NATIONAL DEFENCE
OTTAWA, 13 Dec. 1948

DCGS

Annual Financial Estimates

1. After experiencing the activities of the past few months in connection with the preparation of our annual estimates, I am more than ever convinced that there is considerable room for improvement in the fundamental methods used in determining our financial requirements.

2. The principal fault in our present arrangement seems to lie in the fact that projects or activities are approved without consideration of their cost. The question of whether or not we can afford to undertake these projects does not seem to come up for examination until they are reflected in our annual estimates.

3. The Directors who must estimate the various elements of cost entering into each project are required to do so on the basis of a very brief direction such as is contained in the annual budget preparation directive, and the result is that various interpretations of the intention become used as a basis for estimating by the various Directorates concerned.

4. As the total cost of a project has never been consolidated into one figure and appears only in its various elements within the different primaries concerned, the Directors responsible for these different primaries are placed in the position of having to argue in favour of and substantiate the costs of projects for which fundamentally they are not responsible and in respect of which they have only a limited interest and knowledge.

5. The review of project costs by the individual cost components appearing in each primary creates a possibility of having essential parts of the cost of some projects deleted from the estimate because of their effect upon the total appropriation for the particular primary concerned, whereas the main project (and possibly other related costs) are retained in the estimates. This is an unhealthy estimating arrangement.

6. To my mind the activities of the Army can be properly broken down into projects. These are of two kinds:

- (a) Maintenance projects—the cost of which must be absorbed if the existing Army is to be maintained to normal standards. These costs would include pay and allowances; medical attention; maintenance of existing equipment and properties, etc. Each element of these costs could be separately estimated as a maintenance project by the maintenance Directors concerned, once they are advised as to the intended strength and disposition of the Army.
- (b) Activity projects—These are projects which reflect the employment of the Army in its various tasks associated with its training and preparation for war, i.e., all activities over and above normal maintenance. Again, these activities are always initiated by Directors responsible for the functions concerned. Their initiation involves specific expenses over and above normal maintenance.

7. It is my strong view, in which my experience supports me, that all projects (i.e., the breakdown of our annual estimates) should be prepared separately by the Directors concerned in such a manner that the project can be reviewed by approving authorities in the light of both cost and manpower implications.

8. Maintenance projects should, I think, be approved by the head of the Branch concerned but, if necessary, could have the approval of the Chief of the General Staff, although, being automatic costs, the CGS concurrence is perhaps not necessary.

9. "Activities" project costs should certainly have the approval of the CGS.

10. All project estimates should I think be reviewed by the Army Budget Committee before being forwarded to the CGS, and the approval of these projects should take place well before the day on which it is necessary to start the preparation of the annual estimates.

11. The effect of the foregoing arrangement would be that the compilation of the annual estimates for the Army would in fact be simply an addition (in their appropriate primaries) of the list of approved maintenance and activity projects. The total effect of all approved projects would not of course be seen until they were compiled into the annual estimates. At this point decisions would need to be taken as to what projects would need to be reduced in scope or deleted, depending upon the overall availability of money; the state in which it is decided to maintain the Army and its equipment, or the extent of training, development or other activities which the strategic situation necessitates.

12. One of the good features of such an arrangement as I have briefly outlined above would be that Directors who initiate activities (summer camps for cadets, courses abroad, development of equipment, etc.), would be made aware of the cost to the taxpayer of their projects and would be placed in a position where they could take steps to search for economies which, under the present arrangement, they have less opportunity to review because they do not see the dollars and cents involved in what they intend to do.

13. To initiate discussion with those concerned (possibly at the Army Budget Committee) I have had prepared in this Branch two sample project forms which might be used as a basis for initiating project estimating and approval.

14. These forms are not necessarily the best but will, I think, serve as a basis for further discussion. D. Army Budget could I am sure give useful suggestions along these lines.

15. In the light of the foregoing, it is suggested that D. Army Budget be asked to review the situation and, if you agree, to make suggestions and further recommendations for consideration by the Army Budget Committee.

(Sgd.) L. M. CHESLEY
(L. M. Chesley) Brigadier,
Vice Quartermaster-General

LMC/3676
attach.

DEPARTMENT OF NATIONAL DEFENCE

File 000-6 (AMAP)
OTTAWA, 31 August, 1950.

FILE COPY

*Economy in the Use of Canadian
Manpower and Material*

1. Additional funds are being provided by the Government to permit the acceleration of the defence program. These monies are in part being made available through curtailment of other public expenditures which will represent a cut-back of many desirable projects already overdue as a result of last war conditions.

2. It is the responsibility of the armed forces to ensure that the accelerated program is carried out as economically as possible. In submitting recommendations and estimates for the purchase of equipment, for alteration and improvement of facilities, and for new construction, you should at all times appreciate the severe strain under which the national economy is now being placed.

3. Careful scrutiny is to be given to all recommendations for increased expenditure with the dual object of:

- (a) Ensuring that these are phased as far as possible so as to provide a steady flow of expenditure rather than one subject to serious fluctuations.
- (b) That the provision of facilities not required in the immediate future is deferred in preference to those directly essential to the effective implementation of current plans.

4. Will you please take the necessary action to ensure that this is done.

(Signed) A. L. James
(A. L. James)

Air Vice Marshal
for Chief of the Air Staff

DIST:

AOC, ATC
AOC, NWAC
AOC, AMC
AOC, TC
Gp dr. ADG
D.M. (info.)
AMP
AMAP
AMTS
AMOT
C/TEL
CAW
CAS (info)

*Canada, Public Accounts, CAI 8018
Standing Committee on, 1951*

SESSION 1951

HOUSE OF COMMONS

Government
Publications

STANDING COMMITTEE

ON

PUBLIC ACCOUNTS

CHAIRMAN—Mr. L. PHILIPPE PICARD

MINUTES OF PROCEEDINGS AND EVIDENCE

No. 17

TUESDAY, MAY 29, 1951

WITNESSES:

Mr. C. M. Drury, C.B.E., D.S.O., E.D., Deputy Minister of National Defence.

Mr. A. Ross, C.M.G., Associate Deputy Minister.

OTTAWA
EDMOND CLOUTIER, C.M.G., O.A., D.S.P.
PRINTER TO THE KING'S MOST EXCELLENT MAJESTY
CONTROLLER OF STATIONERY
1951

Correction

In the Minutes of Proceedings of May 24th, 1951, Volume 16, page 437, in the seventh line from the bottom, after the name of Mr. Drury, insert the following: "and of Mr. Ross".

MINUTES OF PROCEEDINGS

HOUSE OF COMMONS, ROOM 430,
TUESDAY, MAY 29, 1951.

The Standing Committee on Public Accounts met at 4:00 o'clock p.m. The Chairman, Mr. L. Philippe Picard.

Members present: Messrs. Ashbourne, Benidickson, Beyerstein, Blue, Campney, Cauchon, Cavers, Croll, Decore, Fleming, Fraser, Fulton, Gibson, Harkness, Helme, Johnston, Kirk (*Digby-Yarmouth*), Larson, Macdonnell (*Greenwood*), Major, Picard, Riley, Robinson, Stewart (*Winnipeg North*), Thatcher, Warren, Wright.

In attendance: Mr. C. M. Drury, C.B.E., D.S.O., E.D., Deputy Minister of National Defence; Mr. A. Ross, C.M.G., Associate Deputy Minister.

The Committee resumed consideration of the public accounts relative to the Department of National Defence, for the fiscal year ended March 31, 1950.

The adjourned examination of Messrs. Drury and Ross was resumed.

Detailed statements, requested of the witnesses at previous meetings, were tabled and ordered to be printed as Appendices to the day's Minutes of Proceedings and Evidence as follows:

By Mr. Drury:

Appendix "A"—Summary of Services rendered to other Government Departments by the RCAF.

By Mr. Ross:

Appendix "B"—Specimen Form CCC 72 of Canadian Commercial Corporation respecting Progress Payment.

Appendix "C"—Specimen Form of Statutory Declaration CCC 71.

Appendix "D"—Specimen Form of Completion Report (Contracts) CAFC 698.

Appendix "E"—Specimen Form MB 303: Proceedings of Court of Inquiry or any Board of officers or Committee.

Messrs. Drury and Ross were questioned on various other items of expenditures of National Defence contained in the Public Accounts, under study. Further detailed information respecting these were asked of the witnesses who indicated that they would undertake to supply the requested information at the earliest possible date.

And the examination of Messrs. Drury and Ross still continuing; the said examination was again adjourned to the next meeting.

At 5.50 o'clock p.m., the Committee adjourned to meet again at 11.00 o'clock a.m., Thursday, May 31.

ANTOINE CHASSÉ,
Clerk of the Committee.

MINUTES OF EVIDENCE

HOUSE OF COMMONS

MAY 29, 1951.

The Standing Committee on Public Accounts met this day at 4.00 p.m. The Chairman, Mr. L. Philippe Picard, presided.

The CHAIRMAN: Gentlemen, the witnesses have some answers to questions which were asked at a previous meeting with respect to pages N-30 and page N-31.

Mr. C. M. Drury, C.B.E., D.S.O., E.D., Deputy Minister of National Defence, called:

Mr. JOHNSTON: Mr. Chairman, the pages in my book seem to jump from page N-29 to page N-39.

The CHAIRMAN: Well, your book is out of order but we cannot blame the committee for that. Mr. Drury has an answer for item 5.

The WITNESS: Yes, Mr. Chairman. Mr. Fleming made a request for information concerning the use of air transport by the Department of National Defence and by other government agencies. It would take some considerable research through a vast number of files to discover the number of requests which were made but not granted, which were turned down. If this is needed, we can get it, but it will take a fair number of days to secure it.

This comes of course under a whole assortment of files, not in one particular file. I have, however, a table which I shall put in as an exhibit of government department requests to use R.C.A.F. transports, and the operations carried out in this respect in the fiscal year 1949-50.

(See appendix "A")

By Mr. Fleming:

Q. Just to follow that up, as far as the element of time goes in the preparation, I do not think it is serious but is it going to take the labour of a number of people in your department for a long time?—A. It will take the labour of two or three people for three or four days plowing through a whole lot of files.

Q. Then could we shorten it by taking just a portion of the period which would perhaps give us a representative answer? Could we not take, let us say, the last three months of the period, let us say, from January 1 to March 31, 1950. That would produce a test, would it not?—A. It would.

Q. I would be content with that, Mr. Chairman.

The CHAIRMAN: We shall file the previous answer as appendix "A"; and as soon as we get the other one, it will be tabled.

The WITNESS: I have something further. Mr. Fleming also requested some idea of the use made by the Department of National Defence, Air Transport, in the fiscal year 1949-50.

We carried in R.C.A.F. transports some 20,000 service personnel and 4,000 civilians. The 20,000 service personnel included army, navy and air force personnel proceeding on duty, either individually or in groups. Also some reserve units, for instance, were lifted to camp and back again; also air personnel travelling on duty were lifted from isolated stations.

By Mr. Fleming:

Q. Could you give us any further information about the 4,000 civilians, a breakdown by departments?—A. These are—

Q. Simply for the Department of National Defence? Were they in all cases?—A. Yes.

Q. Well, were these in all cases persons on the staff, on the civilian staff of the department?—A. No.

Q. Or were there others lifted as well?—A. The coverage includes a number of civilians working directly for the department. In some instances they would be employees of contractors who were working for the department, let us say, at Goose Bay, where technicians and some labour are required by some of the contractors up there.

They bring them in and take them out on a scheduled run. The plane is going anyway, and if there is space available, they will be taken.

Churchill will also come under that heading, also civilians, Eskimos and others; I was going to say emergency cases.

Q. Would they be included as well?—A. Yes, including civilians.

By Mr. Fraser:

Q. They would be flying into Hudson's Bay?—A. Mostly out, but also in.

By Mr. Fleming:

Q. Were there any other cases?—A. Included in this also would be civilian government employees including, as the type of thing, the trip, for example, which was made by the Secretary of State for External Affairs around the world. That would be included in this number of civilians.

Q. Are there any others, or does that cover all the categories?—A. It covers pretty well all the categories, I think. We have also upon occasion lifted civilian foreign delegations. Once we did that. I cannot remember the date of it. There was a British Economic Mission which we lifted from Montreal to Ottawa. They had come from the United Kingdom and had missed train connections. So we brought them up by air.

Q. Does that exhaust it?—A. I do not know if I have included everybody in that.

By Mr. Macdonnell:

Q. When you speak about moving— —A. This includes the lifting of dependents of service people to and from isolated stations such as Goose Bay, where there is virtually no other means of ingress or egress.

Q. When you speak of lifting service personnel, I suppose that means civilians working for the department, or does it mean only uniformed personnel?—A. No, uniformed personnel.

Q. Uniformed personnel?—A. Yes.

Q. There is quite a sharp distinction.

The CHAIRMAN: May I ask as a favour that you speak up. The people who are located at the other end of the table do not hear the conversation at all. So will you please speak up?

The WITNESS: I am sorry.

By Mr. Macdonnell:

Q. I asked whether the operations which you have been describing, those of lifting service personnel, were confined solely to uniformed personnel or whether you would consider yourselves entitled to lift civilian employees of the department? I notice you said civilians working for the department and I

wondered if that included civilians who were working in the department.—A. No. I used the term “working in” to include both those working in the department, direct employees in the department, and civilians who were working for the department, possibly as employees of contractors who were working for the department.

The distinction I made specifically is that a civilian employee such as a maintenance engineer at Goose Bay would be a direct employee of the department; and if space were available and he had to travel from Goose Bay, let us say, to Dorval on duty, we would allow him to ride in a scheduled run.

There would also be civilians who would be hired by building contractors at Goose Bay who were working for us. And if there was space, and if there was a requirement for some of his employees to travel between Montreal and Goose Bay, we would lift them.

By Mr. Johnston:

Q. Would that be a condition of the contract, or would they pay for their transportation?—A. They do not pay for their transportation.

Q. Would it be a condition of the contract?—A. No.

Q. It would just be done as a courtesy?—A. Just as a courtesy, yes.

By Mr. Fleming:

Q. When you carry the employees of contractors, is the cost of the air operation charged up against the contracts in your department accounts, or is it simply charged to the transport end?—A. It is charged to the transport end. I am only talking now of the scheduled runs. The airplane is going there anyway, and it is a case of flying a man who is required at the far end.

Q. Could you say that in no case are transport planes operated for the benefit of employees of contractors, that they never go except on a scheduled run, the run that is going anyway?—A. That is correct.

The CHAIRMAN: I was reading the proceedings the other day and I noticed that I asked ten times a meeting for people to speak louder. It is not so much on my own behalf as for the sake of the others at the end of the table, where nobody can hear. Now, Mr. Ross has some answers to questions which were asked by different members.

Mr. A. Ross, C.M.G., Associate Deputy Minister, Department of National Defence, called:

The CHAIRMAN: The first question relates to the purchase of land at St. John's, Newfoundland.

The WITNESS: A question was asked: What this payment was for. I may say that it was for the purchase of the Buckmasters' field at St. John's, Newfoundland, and adjoining parcel of land with a garage situated thereon. This is used on a joint service basis.

Mr. FLEMING: That was the item of \$160,000 was it not?

The WITNESS: No. \$157,675.

The CHAIRMAN: Payment to Alice Maud Buxton. Page N-31.

The WITNESS: This payment in the amount of \$28,400 for 44.3 acres of land at Esquimalt, B.C., was for the purpose of acquiring a site for the Belmont Park housing project carried out by Central Mortgage and Housing Corporation to provide accommodation for personnel stationed at Esquimalt. This property,

including a house and stables, was valued by Ker and Stephenson Limited, Government street, Victoria, and is located directly across the road and adjacent to Royal Roads College.

Mr. FLEMING: What was the valuation?

The WITNESS: The price paid was \$28,400.

Mr. FLEMING: Was that the exact amount?

Mr. GIBSON: That was the payment for 43 acres?

The WITNESS: No, for 44.3 acres.

The CHAIRMAN: The next one is a payment to Thomas Nowlan, George Nowlan and Nowlan's Limited. Page N-31.

The WITNESS: This price of \$75,000 covered 303.8 acres of land acquired for the site of the W/T Station at Coverdale, N.B. The amount was valued by representatives of the Department of Transport on behalf of the Naval Service.

By Mr. Fleming:

Q. What is the valuation there?—A. That is the price we paid.

Q. Did you say there was a valuation?—A. The Department of Transport made the valuation. We use the Department of Transport for appraisal purposes. We use their land men to quite an extent.

The CHAIRMAN: What is the next one?

The WITNESS: That is the one I just gave.

The CHAIRMAN: Employment of architects and consulting engineers and forms of completion of services required for defence construction projects.

The WITNESS: I would like to refer back to the answer given by me in connection with the employment of architects and consulting engineers. The selection of architects and/or consulting engineers in the period under review was made by the Canadian Commercial Corporation in consultation with officials of the Department of National Defence and made on the basis of the type of work that had to be done. Canadian Commercial Corporation then negotiated a contract with the firm concerned.

Regarding contracts for construction placed by the Canadian Commercial Corporation the corporation sent forward the tenders received by them with their recommendation for consideration of the department before final acceptance.

In addition to the 10 per cent deposit necessary to be made by a contractor when he sends in his tender there is generally a provision in fixed priced contracts for an additional 10 per cent holdback in accordance with normal business practice.

Regarding progress payments I am tabling the form which has to be completed before progress payments are made. The same form is used for cost-plus contracts. It will be noted that in addition to the certificate made by the contractor there is a certificate required from an officer of the Department of National Defence that the services have been rendered and in the case of the cost-plus contracts a certificate is required from the cost audit section of the Treasury. This statement is supported by a statutory declaration.

The CHAIRMAN: The forms will go in as appendices "B" and "C".

(See appendices "B" and "C").

The WITNESS: When the work is completed a completion report is obtained from an official of the Department of National Defence. This is essential before the release of any holdback or security deposit and before the final payment is made.

In accordance with K.R.O., it is necessary to assemble a board of officers immediately on the completion of new works and buildings or major repairs or where there are alterations and repairs to works and buildings, for the purpose

of recommending that it be taken over or making such other recommendation as may be necessary. This applies in all cases where the expenditure is in excess of \$10,000.

I am tabling the completion report form as appendix "D", and also the form prepared by the board of officers, which is the same as used for courts of inquiry. Those two usually travel together.

The CHAIRMAN: They will be appendices "D" and "E".

(See appendices "D" and "E".)

Now we have an answer on the communication services in Northwest Canada.

The WITNESS: Communication services in Northwest Canada other than those operated by the Department of National Defence.

This was a question asked by General Pearkes particularly in reference to duplication.

The Department of Transport operate a telegraph service from Dawson through Lower Lebarge, Stewart, Carmax to Whitehorse and over to Atlin where it connects with radio services to Telegraph Creek communicating with Hazelton, Ashcroft, etc., through the interior of British Columbia.

Northwest Communication System operated by the Canadian National Railways for the Department of Transport. A land line facility is operated by the Northwest Communication System from the Alaskan border along the northwest highway to Edmonton. It consists of overhead wires with carrier equipment providing both telegraph and telephone and leased wire service. In so far as the Department of National Defence is concerned one telephone line is leased by the army to service the maintenance camps along the highway. The R.C.A.F. lease a teletype circuit from Edmonton to Whitehorse with drops at all the important air fields for air operation and controlling the movement of aircraft.

The Canadian army also lease a teletype circuit from Edmonton to Whitehorse for communication between headquarters Western Command and the headquarters of the highway in Whitehorse. This circuit forms part of the National Defence communication system across Canada.

It will be seen from the foregoing that these circuits serve different purposes but the systems are closely interlocked for giving the maximum facilities in the case of emergency.

In this connection I would refer to the chart showing points in Canada serviced by the communication facilities of the Department of National Defence appendix III of the White Paper on Canada's Defence Program, 1949-50.

Mr. FLEMING: That is the 1949-50 White Paper, not the last one we received?

The WITNESS: No. The 1949-50 one.

The CHAIRMAN: Now, gentlemen, I think we have another answer with respect to band grants.

The WITNESS: A question was asked about the basis on which band grants were made. First, band grants for the active force are \$500 each year, for a band not exceeding 35 pieces; but a band exceeding 35 pieces gets \$650.

For the reserve force, the band grants are \$150 for bands not exceeding 15 pieces; and for bands exceeding 15 pieces but not exceeding 20 pieces, it is \$200; and for bands exceeding 20 pieces but not exceeding 25 pieces, the amount is \$250; while for bands exceeding 25 pieces, the amount is \$300.

A regimental band performing the duty of a state band at Ottawa gets a \$500 grant.

The CHAIRMAN: That completes the list of answers which we have ready to date.

When we ended the last meeting we had concluded Naval Services and we were about to start on Air Services when we adjourned. It was page N-32.

Mr. FRASER: Could I ask a question on page N-31?

The CHAIRMAN: Very well.

Mr. FRASER: At the end of the first paragraph on page N-31 I read: "Newport Corners, married quarters, contract; J. H. Hicks and Sons Limited, \$98,-301.54; payment in full". Were tenders called for this?

The CHAIRMAN: Where is it located, exactly?

Mr. FRASER: It is at the end of the first paragraph.

The CHAIRMAN: Oh, yes.

The WITNESS: I think you will have to ask the C.C.C. for that.

The CHAIRMAN: You will make a note so that when the C.C.C. are here you may ask them about these contracts. They are the ones to ask.

Mr. FRASER: I think there was something else. "New permanent barracks, H.M.C.S. *Stadacona*, \$355,000." Why were new barracks needed there?

The WITNESS: You will remember that barracks. It is at Halifax.

Mr. FRASER: Yes.

The WITNESS: This is for a replacement of the old barracks which were built by the British Admiralty many many years ago and which had become obsolete for our purposes.

Mr. FRASER: And you are putting in new ones?

The WITNESS: We are taking down the old building and we are starting to replace it with a more modern building with better facilities to accommodate a larger number of people.

Mr. FRASER: Will the new one be fire proof?

The WITNESS: Yes, it is fire proof.

Mr. GIBSON: I wonder if Mr. Drury feels that the Department of National Defence in every case, such as—I am thinking particularly now of the *Northern Expediter* which was outfitted in Vancouver. A man went down to the United States and bought a LST tender and he made quite a substantial amount out of it by transporting diesel oil for the army. It seemed to me that that job was one which could have been done by our own naval services, and I wondered if in every case we do everything we can by means of the personnel in our own armed services?

Mr. DRURY: In so far as it is economical and serves the ends of training we do everything for ourselves, or we endeavour to.

Mr. GIBSON: Yes?

Mr. DRURY: I am not familiar with the particular circumstances you mention; but the primary role of the navy is that of anti-submarine warfare. I think that a particular supply operation of this type would not necessarily fit into the general pattern of naval training.

There is therefore not the incentive to carry on this type of operation, if it can be done and done economically by a private firm.

Mr. GIBSON: I would disagree with you heartily. We have a great Arctic Ocean up there; and it would seem to me that if we have experts in our service who could deliver diesel oil to the mouths of the Coppermine River, it strikes me as being a wonderful opportunity. There must be many men in the Canadian Navy who are capable of directing a ship in the Arctic Ocean and into the mouth of the Coppermine River.

Mr. DRURY: There is a sea-going craft known as the *Snowbird* which usually travels up and down in that area, to the mouth of the Mackenzie River, during the months when navigation is open, and experience is gained through the operation of that vessel.

Mr. GIBSON: I think we should not do that again. It occurs to me that that is the kind of training which we should give our own personnel. So the next time you are thinking about doing it, will you give my suggestion some thought?

Mr. DRURY: We will.

The CHAIRMAN: Can we pass on to Air Services?

Mr. FRASER: There is an item at the end of Naval Services for special courses, \$704,268.

The CHAIRMAN: I think we had a question asked about that, and an answer is expected for a subsequent meeting.

Mr. FRASER: I see.

The CHAIRMAN: We were to get a breakdown of the number of personnel who follow those courses, and so on.

Mr. FLEMING: Have we had any requests for details with respect to items "D" and "E" on page N-32?

The CHAIRMAN: Not for all of them; but we had one for special courses.

Mr. FLEMING: Special courses? What were they?

The CHAIRMAN: What is your question?

Mr. FLEMING: Perhaps there is a brief explanation which can be given of it.

The CHAIRMAN: I think we covered it at the last meeting, but if you still have a question, you may ask it.

By Mr. Fleming:

Q. I was trying to remember whether we had or not.—A. Which one?

Q. Item "D" and Item "E" on page N-31.—A. We are producing the details of them.

Q. No. Start with item "D" "Land line communication"; what was the nature of that item?—A. The lease of lines, the lease of wires and telephones. I can get you a break-down of it. What details do you want?

Q. To whom in general are these payments made?—A. That would be to railway services—the Canadian National or the telephone services, including provincial telephone services.

Q. They are established communications companies?—A. Yes.

Q. Take the item telephone tolls and telephone rentals. I am thinking about your regulations governing the use of telephones. Do you keep a separate breakdown on long distance calls and the cost of long distance calls and that sort of thing as they do in the Department of External Affairs?—A. We could get it for you. I understand that these telephone tolls here mostly represent long distance telephone calls, and the rentals are payments to telephone companies for telephone services—telephones in different offices and headquarters. Would you like some further breakdown?

Q. I thought you were just about to add something else?—A. For instance, there is a twelve mile circuit for Ottawa and Gloucester. There is a circuit to Halifax. That is part of the general picture.

Q. Just broadly are these direct lines which you have purchased from the Bell Telephone Company?—A. They are circuits we have obtained for teletype communication, and for the hook-up of telephones.

The CHAIRMAN: Is that from Ottawa here to the headquarters of the different commands?

The WITNESS: 859 miles would suggest that it is a direct line to Halifax for operational purposes.

Mr. FRASER: That is a yearly rental?

The WITNESS: Yes, about \$1,100 a year.

Mr. FLEMING: Is that based on the standard charge made by the Bell Telephone Company to persons renting these private lines?

The WITNESS: To people leasing lines.

The CHAIRMAN: Have you any such direct lines of communication from Ottawa to the different commands?

The WITNESS: Not very many. In the navy there would be the line from here to Halifax. In the army they might have one from Ottawa to Oakville.

Mr. FRASER: To Kingston?

The WITNESS: Not to Kingston.

Mr. FLEMING: You say they "might have"?

The WITNESS: They have.

By Mr. Johnston:

Q. On these telephone tolls of \$56,000 odd, is there any way in which the department can check those telephone calls to see if they are necessary calls? I can quite understand that there are some long distance telephone calls which are necessary but I imagine that as well as in any other government service, there are a great many times when calls are put and that half of the conversation is on matters of social engagements. They could just as well have used an air mail letter. It is almost as fast as the telegraph or telephone. Is there any way of checking up?—A. Every telephone toll that is received for a long distance call has to be checked to the source at which the call was made. An individual has to initial that he had made the call and we are constantly drawing attention to calls that may appear to be excessive, pointing out that it is desirable to use air mail or ordinary mail rather than the telephone service.

Q. Has there been any beneficial return from those check-ups?—A. I would say there is—if you keep on observing on these things.

Q. Are there any cases where you have—I was going to say used a little pressure to cut down, but you know what I mean anyway?—A. If we saw calls that seemed to be very high we would take it up with the branch concerned and point out to them that it was a large charge. Generally they have a good reason for making the call. It might be something in connection with a vital part required for some repair, or circumstances arising which necessitated immediate action.

By Mr. Macdonnell:

Q. I would think it is an extremely difficult thing to control and it would depend a good deal on whether it is the thing to do or not. It would depend on what the senior people do. One gets the impression, although it may be a very false one, that government officials are very apt to say: What else is a long distance telephone for—and I recognize the difficulty of controlling it?—A. It is a very difficult thing to control but using the principle of my own experience I do not use the long distance telephone unless necessary.

Q. Well, we Scotch people do not but there are very few people like us.—A. I think we do try to instill that instinct wherever we go and in fact we are not popular in many cases for the checking up that we do.

By Mr. Fleming:

Q. How can you check up on the use of these direct lines? The charges there are not based on the number of calls?—A. There is this to be said. The line can only be used to its maximum and it is limited to that. The line is there and they can use it. We would not have put the line in unless it were necessary.

Q. I was thinking about the matter of checking once you put in a direct line. You lease the line for a year and there is no way of checking whether the use of it is proper or not?—A. Yes, there is a record or a method of checking. The operators keep a record of all calls that are made.

Q. Do you check over those? Do you ever carry out spot checks to see if the regulations are being strictly adhered to?—A. Actually the lines are limited to certain officers.

Q. Well, senior officers, but say down to what rank?—A. I would say colonel, or the director of a branch. Below that an officer would not be allowed to use the telephone unless it were an emergency—unless it was something very urgent.

Q. What is the nature of the check you carry out on the long distance calls other than direct requests? Are those spot checks which you carry out periodically or do you await complaints?—A. All bills coming through are checked at headquarters before payment. Every telephone call is listed and every individual noted, and the directorate has to certify the calls. We point out from time to time that the calls seem to be more than usual and we request that steps be taken to limit them to urgent business.

By the Chairman:

Q. Do the representatives of the Comptroller of the Treasury in the department check on them? Do they have to pass on those?—A. I would say the Auditor General would make test checks on some of these bills.

Q. Yes, but the one who reports to us is the Comptroller of the Treasury, and there is in every department a representative of the Comptroller of the Treasury. Are they supposed to check on these bills?—A. I understand that Treasury do not check individual calls; they leave that to the department which is certifying the bills—to see that the calls are kept down to reasonable limits.

Mr. FLEMING: Have you had any cases of abuse or breaches of regulations in the case of long distance telephone calls?

The WITNESS: I am quite sure there must have been some cases. I can find out and give you a report—ascertaining what has occurred in this year.

The CHAIRMAN: If not they would be too perfect.

Mr. MACDONNELL: Could you not set up a competition among the departments to keep these calls down?

The WITNESS: There would be too much competition between all the Scotchmen.

Mr. GIBSON: Volubility is not always an indication of efficiency.

The WITNESS: That is the difficulty in controlling long distance telephone calls. You talk to me and say what you want in three words, but another fellow takes ten.

Mr. FULTON: And sometimes it is vice versa.

Mr. MACDONNELL: If you made them all do their telephoning after six o'clock you would get the cheap rate.

The CHAIRMAN: Are there any further questions on the subject?

Mr. FRASER: I would like to ask about these canal tolls of \$14,882.24. Is that on account of ships going through the Panama Canal?

Mr. FULTON: I would like to ask where we are?

The CHAIRMAN: We are on page N-32, item "B". When Mr. Fleming is through there we will switch to item "E".

By Mr. Fleming:

Q. I see postage and rental of post office boxes, \$30,000 odd. Where are you paying postage and rental on post office boxes?—A. Outside of Ottawa we pay postage. All incoming mail has postage on it. I would have to get the information on post office boxes. I do not know exactly what they are but I assume possibly they are for reserve units.

Q. You could possibly give us a little more information about the next item, inter-office communication, \$8,142.04. Is that written communication?—A. No, that is interservice box communications.

Q. You mean mechanical forms of inter-office communication?—A. Yes, if Mr. Drury wants to talk to me he pushes a buzzer and he can talk to me.

Q. Those are ordinary mechanical office gadgets?—A. Usually used between head office, we will say, and a factory.

Q. How many places have you got that type of mechanical inter-office equipment?—A. Well, for the senior officers, mostly.

Q. You would have them here in Ottawa?—A. Yes, and perhaps in Halifax, but not in the smaller stations. For instance, this is the navy we are talking about here and you would not have a system like that where there is no permanent organization. It would only be where there was a permanent station and where it was found necessary to have a quicker service of communication between a senior officer and perhaps another director in his organization.

Q. This expenditure is on new equipment of that nature?—A. Not necessarily no. It would be rental of equipment.

Q. Is this equipment for rent?—A. Some of it. The Dictagraph people I believe provide a service. There is installation and servicing.

Q. How does this compare with expenditure say in the two previous years? Is that handy?—A. Well, no.

Q. Let us not wait for it; probably you could get it later on.

The CHAIRMAN: We are on "E" now.

By Mr. Fraser:

Q. My question was on canal tolls. We would not have any canal tolls in Canada?—A. No; outside of Canada.

Q. Through the Panama?—A. Yes, through the Panama.

Q. Do we have to pay to go through there?—A. Yes.

Q. It says "...include pilotage. . ."—A. That would be going into foreign ports. There are certain principles which are recognized in international law.

Mr. FLEMING: I was going to ask about maintenance grants of \$30,243.39. What are they?

The WITNESS: That is made up of band maintenance fund grants of \$3,104.40; ship's fighting efficiency fund, \$702.96; grants to naval libraries—

Mr. FULTON: Just before you go on, what is "ship's fighting efficiency fund"? Is that a sort of competitive fund? Do they give prizes?

The WITNESS: It is for the captain of a ship to get little things to polish up a little bit better. It is just to encourage efficiency.

Mr. MACDONNELL: Spit and polish?

The WITNESS: "Spit and polish" is just as good an expression as anything else.

The CHAIRMAN: Are we through with that?

The WITNESS: It also includes grants to naval libraries of \$1,223.33; grants to naval divisions, \$17,913.

By Mr. Fleming:

Q. Naval divisions?—A. Yes, divisions across the country.

Q. What is the nature of these grants? What is their purpose?—A. General assistance in the maintenance of the division.

Q. Are there any restrictions on the use, the particular purpose to which the grant is devoted?—A. I will get you something further on that. There is also sea cadet training allowance, \$3,989.70; sea cadet band instrument allowance, \$2,910.

Q. The next item is recruiting expenses, \$205,088.94. Is that included in the figures we had in the early stages?—A. That is the detail.

Q. Then, the final item is \$126,717.01, miscellaneous. How is that made up? It is the final item under "E"?—A. I will have to get the detail for that.

The CHAIRMAN: Now, that concludes naval services. Now we are on page N-32, "Air Services". The first item is: "allotments: Royal Canadian Air Force (regular)." Are there any questions, gentlemen?

By Mr. Fulton:

Q. I would like to make a comment here, Mr. Chairman, on something that has impressed me considerably going through these things item by item. I refer to the closeness of your expenditures, or the way your expenditures are very close to your allotments. What relation do those bear to the estimates? I think it is quite striking.—A. Well, there would be some variation in the allotments as it was explained before in the committee, I think. We can transfer from one primary to another to meet any condition arising. For instance, if we need more money for pay and allowances we have to find it from somewhere else and Treasury Board authorizes these transfers from time to time.

Q. What happens if you come to the end of the fiscal year and you find that you are exceeding your allotment? Do you just simply have to fire some one or transfer him to somewhere else?—A. No, you will find that we exercise pretty close check on expenditures so that we do not overspend or commit ourselves in those cases. Pay and allowances is an item we have to protect all year, but variations in numbers, increases or decreases in staff, might change it so that in one case we would have money left over and in another case we would not have money left over. We can go to the Treasury Board to get the money. It is a flexible system to enable us to take care of that sort of contingency.

By Mr. Macdonnell:

Q. I notice the statement that: "As at March 31, 1950, there were 2,933 salaried employees being paid from these allotments, of whom 111 were permanent and 2,822 temporary." I am not sure that I understand the significance of that. Does "salaried employees" mean civilian personnel?—A. These are civilian personnel.

Q. Would that be the total number of civilians?—A. This is only for one group—the air force.

Q. Would that be the total civilian personnel employed by the air force?—A. For this group.

Q. Why would so many of them be temporary?—A. It so happened the allotments of permanent appointments were not increased during the war. The permanencies were allowed to stand due to the great influx of personnel into the department. It is only in the more recent years that situation has been adjusted. This is the situation in 1949-50.

Q. One does not want to transgress the situation now but would it be substantially different in respect of temporaries now?—A. I would say so, except that we have increased a great many more.

Mr. FULTON: But you have more permanent employees now?

The WITNESS: We have more permanent employees now.

By Mr. Wright:

Q. Mr. Chairman, when you have a total vote for air services, for instance, you say you can transfer between the various categories, but supposing the total vote is not enough to meet expenditures in that year, then have you an emergency fund?—A. No, we would have to come to parliament for more money.

Q. There is not an emergency fund?—A. No; the money that is voted to the department is the total amount of the appropriation and we have to keep within that or else go forward for supplementary funds.

By Mr. Fraser:

Q. And then if you do not keep within that you would have what was called a "further supplementary"?—A. If the Korean war or something else turns up we have to have a further supplementary.

Q. Mr. Chairman, did the regulations on pay and allowances apply in the air force the same as they did in the army—that a person in the air force or in the army under 23 years of age and married could not draw the allowance for his wife?—A. The regulations are the same for the three services.

Mr. DRURY: I think in the fiscal year 1949-50 when a man was under the age of 23 he could not receive marriage allowance—whether he was married or not.

The WITNESS: It was the same for all services.

Mr. FRASER: If he was not married he would not be entitled to it, but if he was married he was not allowed to draw it if he was under 23 years of age?

Mr. DRURY: That is correct.

Mr. FRASER: Now may I ask if that still applies? It applies still in the permanent force but it does not apply in the Korean force?

The WITNESS: Well, we are going a little beyond the bounds, Mr. Chairman, of 1949-50, but the age limit has been lowered.

Mr. FRASER: What is the age limit now?

Mr. DRURY: 21.

Mr. FRASER: 21, and there are special rules for the Korean force.

Mr. DRURY: For the Canadian army special force there are special rules.

Mr. FRASER: They were put in last fall.

Mr. DRURY: That is correct.

Mr. FULTON: Mr. Chairman, I would like to ask Mr. Ross this question. As we have taken the navy service, the army service, and the air service, under these general headings of allotments, you do not have anything for the acquisition of various items of equipment, arms, and so on, for each of the three services. That seems to be dealt with in a rather vague way in another place.

Mr. CAMPNEY: That was put on the record was it not?

Mr. FULTON: Yes, it was put on the record but I am wondering why?

The WITNESS: The reason for equipment being classified under a general appropriation is the fact that the same equipment is used by the active force, reserve force, and the cadets. These are the same stores and the same sources of supply for the three organizations. That is why it is all brought in one. It is difficult to differentiate between what you are keeping for the reserve force as opposed to the active force, and that is why we have only one supply source, one appropriation for equipment and maintenance of equipment and all these related things which are brought under one heading—general. You will find that applies in all three services.

Mr. HARKNESS: I see dependents' allowances, \$1,161.89. I do not think we had any dependents' allowances? What does this item cover?

The WITNESS: I think it is an adjustment of some kind. Yes, I am informed it is a wartime adjustment. Some cases which appeared to be justified had not been dealt with and we got authority to pay the money.

Mr. CROLL: What page are you on?

The CHAIRMAN: N-32. Are we through with this item—"allotments: Royal Canadian Air Force". If so, we will go on to "Allotments: Royal Canadian Air Force (Auxiliary) at the top of Page N-33.

Mr. HARKNESS: I thought we were going on to "B" after "A".

The CHAIRMAN: I cannot wait eternally for a question. As I said before we are supposed to have read this before we come here, and when there is a silence if anyone has anything to say he can say it.

By Mr. Harkness:

Q. In connection with travelling expenses and allowances to service personnel, \$1,464,541.08, that is I take it entirely for travelling expenses apart from the use of service aircraft and so on?—A. It is entirely money expended for transportation purposes.

Q. Why is it that you had to spend that amount of money to transport personnel in addition to those they transported in their own aircraft?—A. You have the figure there. There are 20,000 of them and some people travel many times. There are people travelling from headquarters, there are people being rotated in service and who are travelling on duty.

By Mr. Gibson:

Q. What standard of accommodation do you lay down for different ranks?—A. 'First class' for officers, and 'coach' for service personnel unless they are travelling at night and then we may have to take 'first class' to get sleeping accommodation.

Q. Is there a standard set for different ranks, for instance whether they have drawing rooms?—A. There are no drawing rooms except for people travelling with security documents and that sort of thing. Generally speaking a drawing room would be for a very top ranking officer and the reason would be that he would be carrying papers of importance. Generally speaking the transportation covers standard berths.

By Mr. Fulton:

Q. Does that include the cost of meals while travelling? I refer to this item.—A. Meals are included in the travelling expenses.

Q. And there is no difference in the meal tickets which are issued as between various ranks? They are all entitled to eat the same on the train?—A. Meal tickets are usually issued to other ranks. An officer, of course, is allowed so much a day.

Q. During the war we always got meal tickets?—A. It was because you were travelling on a troop train and it was to provide a facility.

Q. No, I recall during the war when we came back from overseas on a course and were sent on leave, we received meal tickets?—A. That was done during the war but they do not do that now.

Q. Now does an officer have a per diem allowance?—A. It is dependent upon the time he is travelling, and if he gets sleeping accommodation that reduces the amount of the per diem allowance. It is reduced to just an allowance for meals.

Mr. HARKNESS: This does not include transfer expenses of personnel and dependents moving from one station to another. It seems to me to be a large item and I think we should have a break-down of it.

The CHAIRMAN: We shall ask the witness if he can do that for us.

The WITNESS: I can give you a break-down of the total. The \$2,446,733.40 is made up of transportation warrants, \$348,747.73; air transportation—this is

paid to TCA, or going overseas to one of the civilian companies, and it is \$58,844.53; transfers amount to \$859,073.15. That is the figure which is shown here.

By Mr. Harkness:

Q. Yes.—A. Travel and general allowance claims amount to \$1,056,948.82; investitures amount to \$12,426.65; civilian travel amounts to \$62,903.65; miscellaneous transportation amounts to \$42,484.89; leave transportation amounts to \$5,169.14; and there is exchange, profit and loss on exchange amounting to \$134.84.

Q. The figure is \$1,056,000 odd.—A. Travel and general allowance claims.

Q. Travel and general allowance claims: But you also have warrants for \$348,000 odd. Why is it that you have these other claims besides the warrants? —A. The warrants are paid to the railway companies, while the allowances are paid to the individuals.

Q. You mean that that is their allowance for eating meals?—A. Yes, for accommodation and meals. These are paid in accordance with the King's regulations.

Q. It is about three times the amount of the warrants which seems away out of proportion to me.—A. I take it that the people who travel would not necessarily travel on warrants. They may travel by car or by air transportation. Consider for example the air force. They may travel quite a lot that way in the air force. If you desire it, I can give you the rates, and so on, for their travel.

The CHAIRMAN: Are there any further questions?

Mr. FRASER: What are we on now, Mr. Chairman? I have a question of page N-33.

The CHAIRMAN: That is right, "Allotments, Royal Canadian Air Cadets."

By Mr. Fleming:

Q. My question has to do with the item "Aerodrome Development" where you have a contract with the Bell Telephone Company of Canada for \$13,913.98. What is that contract for, in an aerodrome?—A. It was for telephone service at the aerodrome, for the switchboard and so on.

Q. That would be for the installation of a switchboard?—A. For telephone service to the different hangars, to the work shops, and to the air control tower.

Q. I wondered why there was a contract on it, but I see it now.

By Mr. Helme:

Q. I wonder if Mr. Ross could tell us what the difference is between the Royal Canadian Air Force Auxiliary and the Reserve Auxiliary?—A. They have two; they have a reserve called auxiliary, which is the same as the reserve force in the other services; and in addition to that, they have a special reserve which is not provided for in the estimates at all other than for special training. It is a reserve composed of ex-service people who remain on a special reserve list.

Q. The reason why I ask my question is that all through the country there are small air fields with flying clubs where you will find groups of young fellows who gave good service during the war, and who will have a lot of flying time in those clubs. I just wondered what is being done to encourage them to keep up their flying practice and training? I know there have been communications from a group of them in my own locality in this connection.

Mr. DRURY: All young people who desire to fly are encouraged to join the reserve air force and fly with them. But in some localities there are no organized reserve squadrons which they can join. However, there are a number of flying clubs across the country and we have made arrangements for men who are not

affiliated with reserve squadrons to take refresher flying under the auspices of the flying clubs, in aircraft which is provided by the R.C.A.F., chipmunk aircraft, so that they can keep their hand in, in flying. Those are the arrangements which have been made with local flying clubs.

Q. I have particularly in mind Prince Albert. They asked to see if some chipmunk aircraft could not be made available there for this particular thing.

Mr. DRURY: We only have so many chipmunk aircraft available to do the whole of the country. I am not sure what the answer would be on this request from Prince Albert. Obviously every town in Canada cannot have a number of chipmunk aircraft made available to them, but we are trying to stretch those aircraft as far as we can.

Q. Prince Albert has a flying club with a very good record.—A. I shall be chipmunk aircraft could not be made available therefor this particularly thing. glad to look into it.

By Mr. Fulton:

Q. I observe two contracts listed where the payments, including the final payments, were very much less than the amount of the contract. I find that in the case of Quebec, at the St. Hubert Aerodrome there was a contract for \$14,889.58, and the payment, including any final payment payment, amounted to only \$6,294.58. Also, at Hamilton, I see where there was a contract with Johnston Brothers Company Limited for \$264,555.65, where the payments, including the final payment, amounted to only \$15,981.17. I wonder if you could give us an explanation of how a contract could be made for an amount which was so very greatly in excess of the actual cost of the work, which I judge took place?—A. These contracts took place the year before and this is a carrying-over or a cleaning up of the contract in this particular year.

Q. Would you mind enlarging upon that a little, please?—A. Take this contract at St. Hubert for \$14,889.58, for example. If that was made in 1948-49, part of the payment would be made in that year, and only the balance was due when the work was completed in the year 1949-50.

\$6,294.58 represents the final cleaning up of the contract which originally was for \$14,889.58, and part of it was paid in the previous year.

Q. This is only a partial payment including the final payment?—A. The cleaning up of the contract.

Q. Oh, I see.

The CHAIRMAN: Are there any further questions? "Allotments: Royal Canadian Air Cadets."?

Mr. HELME: Before we go on to that, I wonder if Mr. Drury could tell me how the item just above that heading of \$585,968.72 for the R.C.A.F. (reserve) was spent?

Mr. DRURY: I do not think I understand your entire question.

The CHAIRMAN: Please speak up.

Mr. HELME: I understood you to say that those who were in the reserve of the R.C.A.F. were men who were on call. Perhaps it was Mr. Ross who said it. One of you did. But there is a sum here of \$585,968.72 for R.C.A.F. (reserve); and I just wonder what that is spent on and how it is spent?

Mr. DRURY: Maybe Mr. Ross could give you the details on that one. He has the book.

The WITNESS: This money is paid to these R.C.A.F. reserve personnel, who are veterans undergoing training for so many weeks.

It is divided in this way: Average rank, flying officer, including training for fourteen weeks; reserve officers, average training; flight lieutenant, including

training for 30 days; personnel of the R.C.A.F. reserve, including wings; radar squadrons; training squadrons; medical units, and provost flights including training for 65 days. These are people called up for short periods.

Mr. BENIDICKSON: I did not get the difference between the R.C.A.F. auxiliary and the R.C.A.F. reserve.

Mr. DRURY: In this fiscal year 1949-50 the auxiliary were the flying elements, and the R.C.A.F. reserve were the non-flying elements. Those which Mr. Ross mentioned are the R.C.A.F. reserves. They are now called just the R.C.A.F. reserve. They are not described as auxiliary or anything else. It is now all reserve.

Mr. BENIDICKSON: That was done during the fiscal year which is under review.

Mr. DRURY: The change came about in the fiscal year which is under review.

Mr. BENIDICKSON: I think it is referred to in the annual report at page 57 which deals with the year ending March 31, 1950. It is paragraph 423, and it says:

The reserve component (formerly designated the auxiliary), has been strengthened by the formation of a reserve medical unit at Hamilton on October 1, 1949” and so on.

I saw that you were keeping two types of accounts during that same year and it aroused my curiosity.

Mr. DRURY: We were, in that year; but it is now all reserve.

The CHAIRMAN: I think, if I might say so, what might lead to a misinterpretation is the fact that this item is headed “Auxiliary” yet we do not find any item especially for reserves. But at the bottom we see “R.C.A.F. (reserve), \$585,968.72”. So that is what gives rise to a possible misinterpretation.

By Mr. Fulton:

Q. In connection with Mr. Ross’ last answer to Mr. Helme, are the people having to do with that item, the people in the R.C.A.F. reserve, in connection with the item of \$585,968.72, are they veterans who are attending universities?—A. Oh, no. Some of them may be undergraduates at universities.

Q. You did not intend to indicate that they were all?—A. No. But it is all reserve.

Q. Because I was going to ask you for them.—A. It is for different periods of training.

The CHAIRMAN: Are we through with this item?

By Mr. Fraser:

Q. You will recall the ones who are regular. Those are the ones who sign up for the period of three or six years?—A. The active force. The auxiliary and the reserves at this time were reserves.

Q. Now they have to sign up for six years. And at the end of that period do you ask them to sign up again, or do they have to ask you?—A. No.

Q. If he is a good man?—A. we would try to keep him if we could.

The CHAIRMAN: “Allotments: Royal Canadian Air Cadets” page N-33. Are there any questions?

By Mr. Fulton:

Q. With respect to “Civilian instructors” I was under the impression that all your cadet instructors were service personnel. What proportion would you have? Could you give us a break-down of how much the civilian cadet instructors

receive under this item?—A. \$150,586.62, which is made up of salaries, temporary, \$116,514.33; wages, \$32,486.99; and unemployment insurance, two items, of \$792.65.

Mr. MACDONNELL: It would appear that you keep them pretty immobile. Their travelling expenses seem to be very low.

The WITNESS: Yes. Cadets are pretty well in localities.

Mr. FRASER: This money is expended on camps, very similarly to that of the Sea Cadets?

The WITNESS: Yes. They bring them to, let us say, to Patricia Bay in the summer.

Mr. BENIDICKSON: Would there not be expenses in connection with auxiliary cadets in school during the school term?

The WITNESS: No, these are air cadets.

Mr. BENIDICKSON: None of them is affiliated with schools?

The WITNESS: No.

The CHAIRMAN: Are we through with this item?

By Mr. Macdonnell:

Q. I am not sure that I fully understand the explanation you gave. Are the civilian personnel a mere fraction in numbers of the service personnel?—A. They are only employed for so many days.

Q. You are speaking of civilians now?—A. Yes.

Q. How many of them are there?—A. There would be about 500 for 30 days; and 200 for from two to five days. It would depend on the period of the camp. I have 150 here in the estimates for 15 days.

Q. That is for civilians?—A. Civilian cadet instructors. And on top of that we would have some labour in the camps.

Q. Your travelling expenses and allowances for civilian personnel is about 1/100th of what it is for service personnel?—A. This is transportation. I see.

Q. At the bottom of page N-32.—A. The cadet is considered as service personnel for this purpose.

Q. I return to my question: Are civilian personnel a mere fraction in numbers of service personnel?—A. Most civilian personnel are local people who would not necessarily travel with cadets from different points to camp.

The CHAIRMAN: Are we through with this item?

Mr. FRASER: With respect to page N-35.

The CHAIRMAN: Before we go there, that will be another chapter. Now we pass to page N-34 "Allotments: Royal Canadian Air Force—General".

Mr. WRIGHT: I have a question to ask Mr. Drury and Mr. Ross. I notice on pages N-34, N-35, and N-36 that there are all these contracts in every province; that there are a number of contracts let with the exception of the province of Saskatchewan.

I find again on pages N-40, N-41, and N-42 the same thing. In every province there are contracts let and work done, and air force personnel being used. May I ask if there is a black-out with respect to the Province of Saskatchewan so far as the air force is concerned? Or how does it come about that there was no money spent in that province during the year 1949-50? It seems rather strange, because we had a lot of air training in Saskatchewan during the war.

Mr. CAMPNEY: Have you looked the situation over recently?

Mr. WRIGHT: I am talking about the fiscal year 1949-50 which we are dealing with in this book. We are not allowed to go ahead of it.

Mr. CAMPNEY: Except in a general way?

Mr. WRIGHT: I would like to have an explanation as to why Saskatchewan appeared to suffer from a complete black-out during the year?

The WITNESS: We place our orders through the Canadian Commercial Corporation for work to be done. I do not know of any reason why. There is nothing specifically set out.

One of the services did show something for Saskatchewan. I think it was on page N-23, in respect to Dundurn and Regina. There was some work done at Dundurn and Regina.

Mr. WRIGHT: I am speaking now of the air force.

The CHAIRMAN: Of course, much of this question can be answered by the C.C.C. when they come here.

Mr. WRIGHT: He has said that the orders are placed by the air force with the C.C.C. But if the C.C.C. do not get the orders, they cannot make the contracts.

The CHAIRMAN: As I was saying, the second part of Mr. Wright's question could be answered by the Department of National Defence. Mr. Wright wants to know not only whether contracts have been placed, but why it is that the air force did not have any requirements in the Province of Saskatchewan.

If the department decided to build an aerodrome in Saskatchewan, the C.C.C. would have had to look into it. So that question is one for the Department of National Defence, and I think it could be answered by them.

Mr. FULTON: It must be that all the aerodromes in Saskatchewan were so well built that they did not need any repairs.

Mr. WRIGHT: I would like the department to give me the answer.

Mr. DRURY: There was on suggestion of a black-out for Saskatchewan. It so happened that during the fiscal year in question there were no requirements on the part of the R.C.A.F. for construction to be undertaken in Saskatchewan. We do not spend anymore than we absolutely have to. In that year there was nothing which required contractual work to be done in Saskatchewan.

Mr. WRIGHT: Have you the figures for the year before?

Mr. DRURY: I have not got them in front of me.

Mr. WRIGHT: Could you get them for us?

Mr. DRURY: I could obtain them.

Mr. WRIGHT: I would like to have them.

Mr. FULTON: Perhaps the government felt that the Department of Agriculture would be spending enough money in Saskatchewan.

Mr. WRIGHT: It does seem to be rather queer that when we are spending \$77 million, one province has been completely left out.

The WITNESS: My reference is only to construction.

Mr. WRIGHT: Yes, in these pages here.

The CHAIRMAN: Now I imagine that we can now pass to page N-42 unless you have some more questions.

Mr. FRASER: Mr. Chairman?

The CHAIRMAN: Just a moment, please. I want to explain that these items can be called. They will all be left open for the C.C.C. when it comes before us. But if there are any questions pertaining to the Department of National Defence with respect to these pages, you may ask them now.

Mr. FRASER: I see on page N-35 that the Milton Hersey Company Limited, received \$4,759.74 for inspection services.

Mr. FULTON: Whereabouts on N-35?

Mr. FRASER: Right near the top of the page.

The CHAIRMAN: At Summerside, P.E.I.

By Mr. Fraser:

Q. About the fifth line down? Are they employed by the National Defence Department or does that come under C.C.C.?—A. C.C.C. makes the contract.

Q. They have nothing to do with your inspection. All right, that is all I have.

Mr. HARKNESS: I do not know whether this is for the department or for C.C.C. but on all these pages I notice they appear to be straight contracts in most cases, except that in the case of contracts in Newfoundland they are cost plus contracts. I wonder why that was?

The WITNESS: Well, C.C.C. would answer that question. It was probably a matter of finding a firm to do the work.

The CHAIRMAN: Well, we will leave these pages the same as we did for the army and the navy. It is "Allotments—General", having to do with construction contracts and so on, and we will leave them open to the questioning of the people from C.C.C.

Mr. FULTON: Just before you leave may I mention a contract in British Columbia for flood control. The contract which you let was for \$98,000 but you paid out only \$63,000. I would like to know whether that contract was completed in the year under review or how much more work has to be done on that?—A. I would have to find that out. I will check and give you a report.

The CHAIRMAN: With the proviso that these items will be left open to C.C.C. we will pass on to page N-42, "Allotments: aerial photographic surveys."

The WITNESS: On Mr. Fulton's question I understand that the flood control contract was not completed in this fiscal year. You will notice the contract was for \$98,000 and payments made were \$63,000. Therefore there would be a balance carried into the next year.

Mr. FULTON: I just wanted to be sure.

The CHAIRMAN: "Aerial photographic surveys", any questions?

By Mr. Wright:

Q. Do you receive payments for that aerial photographic work?—A. We do. We collected from the Department of Mines and Technical Surveys as it was in that year, the sum of \$940,000. We take the pictures for the department.

Q. Do you employ any private firms to do photographic work?—A. No. This work is done by our own planes and our own photographic service.

By Mr. Helme:

Q. In connection with this matter are you pretty fully occupied to capacity in your photographic work? The reason I ask is that contracts have been let by other departments to private concerns to do photographic work. It seems to me that it would be awfully good training for the R.C.A.F. photographic department to do that work?—A. This has only a certain amount of usefulness for the R.C.A.F. and at that time we were pretty well loaded to capacity. The other departments found it necessary probably for two reasons—first probably the location they wanted surveyed was not convenient to the R.C.A.F., or second, that we could not handle it at all.

Q. Last year there was a large area between Saskatoon and Edmonton at both of which cities there are large airports, but the work was let out to private firms. Of course, it had nothing to do with your department, but I just wonder whether they were overloaded and could not take that on?—A. The situation is that the R.C.A.F. were overloaded.

By Mr. Macdonnell:

Q. On page 38 under "miscellaneous", and "acquisition of land", I would like to ask Mr. Ross who did the negotiating? I notice that Dufferin Construc-

tion Company Limited received \$325,000 and James Franceschini received \$75,000 for parts of lots 16 and 17, concession 3, west of Yonge street. Who would know the particulars of the Dufferin Construction and Franceschini deal?—A. What would you like to know, and I will get the information?

Q. I would like to know the price of land in the neighbourhood, and who carried out the purchase?

Mr. DRURY: I think perhaps I can say something on this. This land owned by Mr. Franceschini in one quality or another, was contiguous to the southern boundary of Downsview as his sort of home or farm there. We acquired a very large slice for the extension of a runway at Downsview.

Mr. MACDONNELL: How much was involved?

Mr. DRURY: The whole amount.

Mr. MACDONNELL: How much land?

Mr. DRURY: I do not remember—quite a substantial acreage and the price worked out to about \$750 an acre.

The CHAIRMAN: Well, we were on aerial photographic surveys—are we through with that?

Next is "Allotments: northwest staging route". Are there any comments?

Mr. HARKNESS: What does "operating expenses of properties" mean? What properties would those be?

The WITNESS: They would be properties at the different airports on the route—Fort Nelson, Watson river, Whitehorse, and different places en route.

Mr. FULTON: Mr. Chairman I would like to ask Mr. Ross why they paid Davis, Ripley & Associates \$7,315.59 for engineering services—paid to date, \$12,315.59—when we have the Royal Canadian Engineers?

The WITNESS: I expect it was necessary in that case to employ outside consulting engineers to do some work.

Mr. LARSON: Have we a quorum?

The WITNESS: Fort Nelson is a little bit out of the way.

By Mr. Fulton:

Q. But you are doing a very considerable amount of construction there—\$762,000 worth in a year, and I was just wondering? Perhaps I should ask Mr. Drury but it seems to me to be a project worth while giving consideration to. Why is use not made of the army's engineers?—A. I would just like to find out what these consulting engineers were doing. Actually this would come out in the C.C.C. inquiry—I refer to the employment of those individuals.

Q. You cannot tell us whether the army engineers would have been qualified to do the work?—A. I am quite sure the situation at that time was such that we did not have enough engineers to go around.

The CHAIRMAN: Are there any further questions on these pages—up to N-44?

Mr. FULTON: There is another matter. I will put it this way if I may. Is the situation to which Mr. Ross just referred being adjusted and have you got engineers to do your own work up there now, or are we still paying outsiders?

Mr. DRURY: I think, Mr. Chairman, that these engineering services are of a character, generally speaking, different from those rendered by the Royal Canadian Engineers. The Royal Canadian Engineers are primarily concerned with the construction and maintenance of the highway and bridges, road building, and maintenance operations. This item is for civil engineering work done in connection with the location, design, and supervision of the construction of married quarters.

Mr. FULTON: Well, I do not want to start a whole discussion at this stage of the afternoon but I do have the feeling, Mr. Chairman, and I would like to address it to Mr. Drury in the form of a question, that you must be doing a lot of building of married quarters and you will be doing it for some time—also supervision and maintenance of the various buildings which you erect.

It is difficult for me to accept it as necessary that we retain outside engineers for that, instead of building up the necessary personnel in our military engineering services. I understand that in Great Britain to a very large extent they have engineer officers whose job it is to construct, to provide and maintain barracks—as part of the permanent engineering services over there.

Mr. DRURY: Mr. Chairman, we are trying to adjust that, and the employment of outside firms in all these instances represents our failure to achieve as rapidly as we would desire a level of supervision commensurate with the increase in the size of the program.

Mr. FULTON: Then you have answered my question. It is part of your present policy to have engineers on that basis—personnel of the R.C.E. to do this work?

Mr. DRURY: That is correct.

Mr. MACDONNELL: Would I be right in thinking that in the past you have been hampered in doing anything of that kind because it was not felt that you should do work which should be done by private enterprise, so to speak? It is my impression, but I want to know whether with things booming as they are now, you are finding that handicap removed? If so, I would hope, like Mr. Fulton, that you could very rapidly within your own staff take over what they are doing now. Are you finding any handicap of that nature now?

Mr. DRURY: We are not.

The CHAIRMAN: Gentlemen, it is ten minutes to six.

Mr. GIBSON: And we have no quorum.

The CHAIRMAN: For the last fifteen minutes perhaps we have not had a quorum but I did not see it until now. The meeting stands adjourned until Thursday at 11 o'clock.

Mr. GIBSON: I just would like to say that I hope we are not stopping the Department of National Defence from doing their very necessary work. Their very attendance here worries me sometimes and I wish they would give us the book of answers and let it go at that so we would not waste so much of their time.

The CHAIRMAN: On the other hand it is most important in the function of democracy and for the country that these answers be given.

The committee adjourned.

APPENDIX "A"

STATEMENT OF SERVICE RENDERED TO OTHER GOVERNMENT
DEPARTMENTS BY THE RCAF

DEPARTMENT OF MINES AND RESOURCES

<i>Date</i>	<i>Airlift</i>	<i>From</i>	<i>To</i>
4 May 49	3500 lbs Caribou Skins	Baker Lake	Churchill
4 May 49	8 Men	Rockcliffe	Frobisher Bay
	5000 lbs Equipment		
10 June 49	1 Man	Rockcliffe	Baker Lake
	300 lbs Equipment		
22 June 49	1 Man	Dorval	Goose Bay
24 June 49	1 Man	Rockcliffe	Whitehorse
18 July 49	4 Men	Whitehorse	Dawson
	X-Ray Equipment	Dawson	Whitehorse
13 Jan 50	2 Men	Dorval	Resolute Bay
	20,900 lbs Equipment		
26 Jan 50	3 Men	Dorval	Resolute Bay
	2000 lbs Equipment		
26 Jan 50	4 Men	Dorval	Lake Harbour
	2000 lbs Equipment		
27 Feb 50	4000 lbs Meat	Goose Bay	Cape Dorset
7 July 49	9 Men	Goose Bay	Clyde River
		Clyde River	Goose Bay
8 July 49	3 Men	Edmonton	Cambridge Bay
	1000 lbs Equipment		
26 Aug 49	1 Man	Sable Island	Halifax
30 Aug 49	3 Men	Resolute Bay	Cambridge Bay
Aug-Sept 49	270,000 lbs	Seven Islands	Mecatina
Aug-Sept 49	270,000 lbs	Goose Bay	Indian House Lake
10 Jan 50	9 Men	Churchill	Coral Harbour
25 Jan 50	100 lbs Equipment	Dorval	Goose Bay
30 Jan 50	5 Cases Eggs	Dorval	Goose Bay
	1 Hot Water Tank		
	1 Box Parts		
	5 Boxes Radio Parts	Dorval	Resolute Bay
31 Jan 51	1 Box Radio Equipment	Dorval	Resolute Bay
28 Feb 50	1 Box Engine Parts	Dorval	Chimo
2 Mar 50	1500 lbs Meat	Dorval	Goose Bay
13 Mar 50	225 lbs Fire Arms	Dorval	Goose Bay
16 Mar 50	200 lbs Met Equipment	Dorval	Goose Bay
18 Mar 50	1 Man	Dorval	Chimo
18 Mar 50	60 lbs Equipment	Dorval	Chimo
20 Mar 50	2 Men	Dorval	Chimo
29 Mar 50	800 lbs Fresh Food	Dorval	Goose Bay
13 Apr 50	350 lbs Fresh Food	Dorval	Goose Bay
21 Apr 50	5 Drums Oil	Churchill	Baker Lake
29 Apr 50	2000 lbs Radio Equipment	Churchill	Coral Harbour

DEPARTMENT OF FISHERIES

13 May 49	1500 lbs Equipment	Dorval	Goose Bay
	5 Men		
13 May 49	4300 lbs Equipment	Goose Bay	Chimo
	4 Men		
25 May 49	1800 lbs Equipment	Goose Bay	Chimo
12 July 49	Special Flight	St. John's	Sydney
	(Canso—4 days)		
9 Aug 49	500 lbs Equipment	Chimo	Dorval
	5 Men		

DEPARTMENT OF RECONSTRUCTION AND SUPPLY

21 May 49	3 Men	Edmonton	Yellowknife
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DEPARTMENT OF HEALTH AND WELFARE

28 May 49	5 Patients	Chimo	Goose Bay
15 July 49	Dr. Osbane & family	Pangnertung	Frobisher Bay
20 July 49	6 Personnel	Resolute Bay	Coral Harbour
10 Aug 49	2 Personnel	Montreal	Dorval
12 Aug 49	2 Personnel	Dorval	Lake Harbour
24 Jan 50	Father Bonin	Winnipeg	Chatham
			(Paid For)
8 Apr 50	1 Doctor	Goose	Chimo

APPENDIX "A"—*Concluded*STATEMENT OF SERVICE RENDERED TO OTHER GOVERNMENT
DEPARTMENTS BY THE RCAF—*Concluded*

DEPARTMENT OF AGRICULTURE

<i>Date</i>	<i>Airlift</i>	<i>From</i>	<i>To</i>
11 July 49	6 Persons (G3/2)	Halifax	Sable Island

NORTHWEST TERRITORIES ADMIN

7 Sep 49	4 Personnel 600 lbs	Goose Bay	Chimo
21 Dec 49	1 Person	Churchill	Baker Lake
11 Feb 50	Copeland Family 800 lbs	Churchill	Coral Harbour

EXTERNAL AFFAIRS

1 Jan 50	Round the World Flight	\$7,571.35 from External
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RESOURCES AND DEVELOPMENT

3 Mar 50	1000 lbs Barley	Vancouver	Lonesome Lake
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APPENDIX "C"

STATUTORY DECLARATION

DOMINION OF CANADA Province of.....	{	IN THE MATTER OF A CONTRACT entered into with His Majesty by..... Contract Nnmber.....
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To Wit.—

I,of the City of.....in the
 Province ofdo solemnly declare:—

1. That I amof.....
 (President, Secretary, Treasurer, a Partner, Etc.)

....., the Contractor named in the
 contract above mentioned, and as such have personal knowledge of the facts
 hereunder declared.

2. That all the sub-contractors, labour, and accounts for materials whatso-
 ever entering into the construction of that portion of the work covered by
 the said contract as set forth in the progress estimate passed last previous to
 the one attached hereto have been duly paid.

3. That the wages paid are in all cases the same as or above those set out in
 the Schedule of Wages attached to and forming part of the said contract.

4. That all amounts owing for Workmen's Compensation, employees'
 income tax deducted at source, unemployment insurance deducted from wages
 and salaries, vacation with pay allowances and all other charges of whatsoever
 nature due or payable by reason of the performance of that portion of the
 work covered by the said contract as set forth in the progress estimate passed
 last previous to the one attached hereto, have been duly deducted and/or paid
 according to law.

And I make this solemn declaration conscientiously believing it to be true
 and knowing that it is of the same force and effect as if made under oath and
 by virtue of the Canada Evidence Act.

.....
 DECLARED before me at.....

.....
 County of
 this day of

.....A.D. 19....

A Notary Public

Commissioner for Oaths, etc.

Note 1. Where Contractor is a Corporation or a partnership, declarer's position
 in the Corporation or partnership and Company or partnership name
 should be clearly shown in No. 1. Where Contractor is the person
 who makes the declaration, strike out "of" in first line of No. 1.

Note 2. When making a first progress payment the words "passed last previous
 to the one" are to be deleted.

APPENDIX "D"

COMPLETION REPORT (CONTRACTS)

ARMY WORKS SERVICE

Item No. Fiscal Year F.E. No. C.D. No.
Contract Serial No.
Service
Authority, H.Q.
Commenced
Completed
Works Officer
Foreman of Works or Civilian Inspector
Name of Contractor
.....
Original Amount of Contract
Approved Extras

I have inspected the above work and certify that the service has been completed and carried out in a thoroughly workmanlike manner, in accordance with the approved design, specification and estimate:—

I recommend return of Security Deposit and/or hold back:—

..... Command Engineer
..... Command
..... Officer Commanding
..... Command

Date

APPENDIX "E"

N.B.—As this form is applicable to any Board of Officers or Committee or Court of Inquiry, the blank is to be filled in accordingly.

The signature of each Officer composing the Board, etc., should appear on the last page of this form in the space provided therefor.

PROCEEDINGS of a*
assembled at
on the
by order of
for the purpose of
.....
.....
.....

PRESIDENT

.....

MEMBERS

The having assembled pursuant to order, proceed to

FINDING IF REQUIRED:—

Signed at	(Signature)	PRESIDENT
.....	.....	(Unit)
this day of	(Unit)	MEMBERS
..... 19....	.....	(Signature)
	.....	(Unit)
	.....	(Signature)
	(Unit)	

Opinion of
Commanding
Officer:—

Canada: Public Account
in Standing Committee, 1951
7/41

SESSION 1951

HOUSE OF COMMONS

Government
Publications

*127
12
A274
1357
1429
14018*

STANDING COMMITTEE

ON

PUBLIC ACCOUNTS

CHAIRMAN—MR. L. PHILIPPE PICARD

MINUTES OF PROCEEDINGS AND EVIDENCE

No. 18

THURSDAY, MAY 31, 1951

WITNESS:

Mr. A. Ross, C.M.G., Associate Deputy Minister of National Defence.

OTTAWA
EDMOND CLOUTIER, C.M.G., O.A., D.S.P.
PRINTER TO THE KING'S MOST EXCELLENT MAJESTY
CONTROLLER OF STATIONERY
1951

1118
INTERIOR

ORDER OF REFERENCE

THURSDAY, May 31, 1951.

Ordered,—That the name of Mr. Macdonald (*Edmonton East*) be substituted for that of Mr. Decore on the said Committee.

Attest.

LEON J. RAYMOND,
Clerk of the House.

MINUTES OF PROCEEDINGS

HOUSE OF COMMONS, Room 430,

THURSDAY, May 31, 1951.

The Standing Committee on Public Accounts met at 11:00 o'clock a.m. The Chairman, Mr. L. Philippe Picard, presided.

Members present: Messrs. Anderson, Ashbourne, Blue, Boisvert, Browne (*St. John's West*), Campney, Cauchon, Fleming, Fournier (*Maisonneuve-Rosemont*), Fraser, Fulford, Fulton, Gibson, Macdonnell (*Greenwood*), Major, Nowlan, Picard, Richard (*Ottawa East*), Riley, Robinson, Sinclair, Stewart (*Winnipeg North*), Thatcher, Wright.

In attendance: Mr. A. Ross, C.M.G., Associate Deputy Minister of National Defence.

The Chairman informed the Committee of the composition of the sub-committee appointed to deal with a report on uncollectible debts due the Crown, in conformity with the Resolution adopted on May 24th. In addition to the chairman (Mr. Picard) and the vice-chairman (Mr. Croll), the following members: Messrs. Ashbourne, Fleming, Johnston, Macdonnell, Major, Robinson, Sinclair and Stewart.

On motion of Mr. Campney the said sub-committee was agreed to.

The Chairman, further, explained that only two copies of the said report were available for circulation. He suggested, and the committee agreed, that before the sub-committee begin thorough consideration of the report each member of the sub-committee should be given an opportunity of running briefly through the report to acquaint himself with its contents.

The Committee resumed consideration of the public accounts relative to the Department of National Defence for the fiscal year ended March 31, 1950.

The adjourned examination of Mr. Ross was resumed.

Detailed statements, requested of the witnesses at previous meetings, were tabled by Mr. Ross and ordered to be printed as appendices to the day's Minutes of proceedings and evidence as follows:

Appendix "A"—Summary of fees for special courses Navy; page N-32 of Public Accounts.

Appendix "B"—Summary of travelling allowances for personnel; page N-32 of Public Accounts.

Appendix "C"—Details of contracts; page N-55 of Public Accounts.

The witness was questioned at length on other items of expenditures of national defence and, with respect to some of these, he was requested to supply further details at a subsequent meeting. The witness indicated he would undertake to supply the requested information at the earliest possible date.

The examination of Mr. Drury, who was unavoidably detained elsewhere during the present meeting, and of Mr. Ross is postponed, with the understanding that these witnesses remain at the disposal of the Committee for further questioning at a later date in respect of the returns submitted by them in the course of their lengthy examination.

After discussion, it was further agreed that the Committee would at the next meeting hear officials of the Canadian Commercial Corporation.

At 12:45 o'clock p.m., the Committee adjourned to meet again at 11:00 o'clock a.m., Tuesday, June 5.

ANTOINE CHASSÉ,
Clerk of the Committee.

MINUTES OF EVIDENCE

HOUSE OF COMMONS

MAY, 31, 1951.

The Standing Committee on Public Accounts met this day at 11.00 a.m. The Chairman, Mr. L. Philippe Picard, presided.

The CHAIRMAN: Gentlemen, before we open the meeting this morning I would like to say that I have arranged for a sub-committee to sit on the writing-off of uncollectable debts.

I have consulted representatives of the other parties and with your approval I would suggest the following list: Messrs. Fleming, Macdonnell, Stewart and Johnston. And I think it would only be proper that the parliamentary assistant to the Minister of Finance be a member of that sub-committee as well. I refer to Mr. Sinclair. Also I would include the chairman and the vice chairman; and I have selected three members who have been most assiduous in their attendance at our meetings, Messrs. Major, Robinson, and Ashbourne.

In order to avoid any discrimination I chose from the list the three who have been here more often than any others. That would make up a committee of ten.

We have only two copies of the voluminous report available. Mr. Stewart has seen a copy. There is one copy in the hands of Mr. Macdonnell and another one will be delivered today to another member. He will have it this morning.

I must ask those who have these copies in their hands to try to dispose of them as quickly as possible. We shall give them a list of names of other members to whom they should pass those copies.

The report in question is not yet before the committee and until it is before the committee I feel that the members I have indicated should have an opportunity to read it on a confidential basis. The report is not intended for circulation to members of the House of Commons at this moment. It is merely for the information of the members of the sub-committee so that they can take notes. And when we find that all the members of the sub-committee have had a chance to read it, and have had it in their possession, let us say, for a couple of days, then we can have a meeting and probably dispose of it quite expeditiously.

There is another matter to which I would like to call the attention of the committee. The fact is that we have very little time at our disposal to complete our task for the present session.

The newspapers, which usually know better than we do what is going to happen, say that the session might be over by early July or by mid-July at the latest. That would not give us very many sittings.

I understand there is just a possibility that the consolidated Revenue Act will be sent to us.

I would remind the committee that we have been considering National Defence matters during fourteen meetings. So may I ask for the co-operation of the members of the committee so we can expedite this matter as quickly as possible.

We already have a proposal to get representatives of the C.C.C. before us. We will want to give them a few meetings and then get through with the

Consolidated Revenue Act. So I would advise you that the time has come when we ought to know exactly what we want to do with the National Defence Department officials who are here.

Then the C.C.C. officials will come before us and we shall go over the items on which they can give us information as far as National Defence is concerned.

You have the list of contracts for the year 1949-50 which the C.C.C. has made. Would it not be possible for members of the committee to prepare in advance, if they have questions they want to ask and if they have anything on their minds about any of these contracts?

If the members would give a list to the secretary of the items on which they want information, it would expedite matters.

I would imagine that at that late date even if members give three days' notice of the subjects they are interested in the books could not be altered or changed. Therefore if we can get a list such as that, the officials of the C.C.C. might be able to come here prepared to answer the questions, rather than come here, get the questions directed to them, and then have to come back again with the answers, let us say, at the next sitting. It would save a lot of time.

I think we should get on with it as quickly as we can. So if the members would only indicate in advance what they want from the officials, those officials could come here right away with all the necessary data and files. You cannot expect them to come here with all their files on these numerous contracts. But if the members would only say: "I want to know about this", then the proper officials could come equipped with the proper files and we would thereby save a lot of time.

Our sittings have been twice a week. And now there is a proposal that we have three sittings a week. Some members have objected to it on the ground that there are too many other committees sitting at this time. But if the session should end early in July it would not give us more than eight or ten meetings at most.

So may I again appeal for the co-operation of the members to try to get through with National Defence if we can today, and then get the C.C.C. before us, because we may have the Consolidated Revenue Act coming to us as well.

Mr. FLEMING: I think there would be ready disposition on the part of the committee to co-operate in that objective, in view of what you have stated. We shall have to accept the fact that we are working against a deadline, not an immediate deadline, but a deadline just the same.

There is no doubt that the time we would wish to spend with the witnesses from the C.C.C. may be considerable. However, we shall do the best we can. May I mention that we have not yet gone back over the material that has been brought to us by the witnesses from time to time. There may be some questions to be asked concerning material which has not yet been the subject of questioning.

We discussed last week the possibility of an extra meeting this week. I thought it was decided to have one. But we were not able to get it. So I think before we finish up with the witnesses from this department, we shall probably have to go over that material. There may be some important questions with respect to some of these tables and answers which they have brought in latterly.

The CHAIRMAN: Do you want a meeting tonight? We shall have this meeting today and try to get through with what is left here. Do you want an extra meeting tonight to dispose of it?

Mr. FLEMING: I think the best thing to do would be to let the witnesses clean up everything with respect to whatever may arise today. Then whatever is not yet ready in the way of answers we might have later. Let us have it all complete instead of making two bites at it.

The CHAIRMAN: You mean that besides this there are very many answers yet to come?

Mr. Ross: No. There is a list of legal fees which is going to take some time, then a list of damage claims, which is being worked on at the present time. That may take a little while. We have schools and education of children. We are engaged in the collection of all the figures to ascertain the cost as between running our own schools and sending the children to municipal schools on a non-resident fee basis. Then we have Washington personnel, the list of which is not yet quite finished. We hope it will be finished by the end of this week. We have unsatisfied contracts. We are going through the list to find out if there were any. I might say that generally there are difficulties in all contracts, little difficulties and problems to settle. But mostly these are adjusted. However, there may be the odd case, and if so I shall bring it to your attention if it was not satisfactory.

There is a statement with respect to miscellaneous items which came up on Tuesday and is not quite ready, and also a statement with respect to married quarters.

The CHAIRMAN: In collecting all this information some answers may not be ready for the next normal meeting on Tuesday. In case we do not have all the information by then could we not go next week into the C.C.C. right away and devote one meeting at a later date to go over these answers? I am offering you one more meeting to clear this up so that it won't alter our regular scheme of work.

If we can start with the C.C.C., then I would like to see one extra meeting to carry on with these answers, since you are anxious to get the committee to look into some of them. We could have an extra meeting when all the answers are in.

Mr. WRIGHT: I think your suggestion is a very reasonable one, Mr. Chairman. I think we should try to clean this up and get on with the C.C.C. I think your idea of having a special meeting to deal with these other answers is good because we will have to have those answers before us for a little time before that meeting. But I would suggest that if you call that special meeting it be after all the answers are tabled and after we have had a reasonable time to consider them.

The CHAIRMAN: That is what I thought. I thought that would be satisfactory.

Mr. CAMPNEY: I would like to ask the committee to excuse the deputy minister under the following circumstances: Some time ago there was a meeting of the Defence Council called for ten o'clock. This morning it is still in progress and it is rather important that the Deputy Minister be present throughout. I took the liberty of telling him that I would ask the indulgence of the committee on his behalf, but that if the committee wanted him and insisted on it, then I would telephone to him and he could come over. I think it would be appreciated if he could be excused for this one meeting.

The CHAIRMAN: I think that is all right for this morning. But if any question arises which some member might want to ask of the deputy minister personally, we could ask him to come over possibly the next time we have a special meeting to clean up the remnants of the past.

Earlier in this meeting I neglected to ask the committee to approve the sub-committee. I should ask you for your approval of the proposal that was made to have a committee of ten members appointed, and the personnel of that committee.

Mr. CAMPNEY: I would so move, Mr. Chairman.

The CHAIRMAN: You so move. Thank you. It is agreed.

This committee held five meetings in connection with the Auditor-General's report. One of the members asked me when I would bring in a report. I looked through the verbatim report of those five meetings, and I found six suggestions

for recommendations. Four of them deal with matters which will come up in the Consolidated Revenue Act. Before we pass on a report I think we should wait until we see the Act, and if that Act deals with those four matters, there is no need for them to be dealt with by us. So I thought we might wait until the Consolidated Revenue Act has been brought in and then we would be left with only two suggestions to include in our report.

Mr. FLEMING: Can Mr. Sinclair tell us if it is still the intention to bring a bill down at this session?

Mr. SINCLAIR: The last part is now before the cabinet, and I hope that it will be here next week.

Mr. FLEMING: You mean in the House next week?

Mr. SINCLAIR: Yes, and referred to this committee. Some of the points mentioned are incorporated in the bill. The chairman is right in thinking that there would be an over-lapping.

Mr. FLEMING: There is no point in having a duplication. There is no immediate urgency about the report on the first five meetings, so let us wait.

The CHAIRMAN: I wanted to explain to the committee why it had not been done. One member of the committee said to me: Our first five meetings were finished a long time ago but there has been no report. I said to him that I thought we should wait until the Act was brought down to see if there was ground for recommending any changes.

Now, with your permission, we shall go ahead with the work we have for today, answers to different questions.

Mr. A. Ross, Associate Deputy Minister, Department of National Defence, called:

The CHAIRMAN: The first one is on page N-28, "Fort St. John—Repairs to Peace River Bridge."

The WITNESS: A question was asked about the repair of the Peace River bridge and the circumstances are as follows:

A routine survey of the bridge carried out in August, 1947, indicated that the top of the north tower legs were 19.6 feet out of alignment, presumed to be the result of scour action of the water under the toe of the pier. This bridge was constructed by the United States Army in the summer of 1942.

Dr. P. L. Pratley was engaged as a consultant to determine what action was necessary to stabilize the pier and prevent failure of the bridge structure.

Dr. Pratley made a physical examination and it was found that the main pier had a vertical crack extending from the base to the top of the pier and that the pier had been undermined approximately 50 per cent of its gross area by the scour action of the river. The pier was eroded approximately 8 feet from the bed of the river.

Messrs. Creaghan and Archibald Limited were engaged on negotiated contract, cost-plus fixed fee, to carry out the repairs. This firm were the only company readily available with experience and equipment to undertake this major operation.

The work included a steel caisson around the base of the pier, the jacking up of the pier by hydraulic jacks and pouring a mass of concrete both under the pier and around the pier.

It is considered that the work carried out by the contractors, under the supervision of Dr. Pratley, saved the bridge from complete destruction.

By Mr. Browne:

Q. Were tenders called for that work?—A. Probably not. It was handled by the C.C.C. who negotiated a contract with this firm. They were the only people available with the experience and the equipment to undertake this type of operation.

The CHAIRMAN: The next question is on page N-31, having to do with boats acquired by the Royal Canadian Navy in 1949-50.

The WITNESS: In 1949-50 there were five boats acquired by the Royal Canadian Navy as follows:—

One gasoline power Fairmile motor launch completely converted to diesel power from Diesel Marine Corporation, Oakville, \$19,588.

Two Fairmile motor launches completely converted to diesel power training ships for divisions from Marine Industries Limited, \$39,900 each.

Two Bangor diesel minesweepers—(Digby and Granby) from Marine Industries Limited, \$65,000 each.

That answer is in reply to a question asked by General Pearkes as to how many ships were acquired.

The CHAIRMAN: And on page N-31 there was a question asked with respect to "Fees for special courses—Navy".

The WITNESS: This is a long answer and I suggest Mr. Chairman, that it be tabled as an appendix.

The CHAIRMAN: The answer will be published as appendix A to today's report.

(See appendix A.)

The CHAIRMAN: The next one has to do with page N-32 "Details of Grants to Naval Divisions."

The WITNESS:

This is an amount of \$17,913, and is part of the item shown in the book as \$30,243, "Grants to Naval Divisions" for the rental of gymnasium and athletic fields on an hourly or daily basis; prizes for seamanship, signas, kit inspection and organized athletic competition; cost of recreation of a nature to promote efficiency; cost of repairs to articles purchased from the grant; cost of repairs to rifle ranges; cost of conducting competitions between personnel of the reserves; cost of rifle practice; cost of service books; renovation of furniture supplied to messes at government expense (within prescribed limits).

The CHAIRMAN: On page N-32 you have an answer covering Inter-office communications?

The WITNESS: The question asked in this case was: how does the expenditure for the year before compare with 1949-50?

The expenditures for 1948-49 were \$2,995.95. The expenditures in 1949-50 were \$8,142.04 of which maintenance amounted to \$2,993.04, and the balance of \$5,209 included new equipment and extensions for National Defence Headquarters. They covered the minister's office, the deputy minister's office, that of the chief of the general staff, the director of naval communications, the director of naval intelligence, the chief of naval technical stores, and that of the directors of organization and civil defence.

The Navy handled all office communication services in Ottawa for the headquarters. It is all done under naval administration.

These installations do save a lot of time. They facilitate obtaining a quick answer to a question, and enable a reply to be given more quickly. They save considerable time and are of assistance to the officials.

The CHAIRMAN: Now the next answer is with respect to a question on page N-32 "Travelling allowances for personnel". That is already tabled?

The WITNESS: Yes. This is travelling allowances for personnel.

The CHAIRMAN: The answer tabled will be appendix B to the proceeding for today.

(See appendix B.)

The CHAIRMAN: The last one concerns details of contracts.

The WITNESS: That question was asked by Mr. Fulton. It was: What was the nature of the materials, the equipment, the manufacturing service and so on purchased by the following persons or firms?

The CHAIRMAN: This is quite a lengthy statement and it will be tabled as appendix "C" to today's proceedings. Now, gentlemen, are there any other questions on these, or will we postpone the questioning, as agreed, until a meeting is especially called.

Mr. BROWNE: Are you going to postpone questioning now?

The CHAIRMAN: That was the agreement but if there are any particular questions you want to ask, Mr. Browne, on that material you can ask them now.

Mr. BROWNE: I will wait.

The CHAIRMAN: Now, coming to the public accounts again. We had reached page N-43, allotments: Northwest staging route. We were in process of winding that up when we adjourned our last meeting. Are there any further questions on this item, at pages N-42 and N-43.

Mr. FRASER: That item goes over to page N-44. There is only one question I would like to ask and that is on search and rescue.

The CHAIRMAN: That is the next item.

Mr. FLEMING: I have just one question. At the top of page N-43 there are various items of expenditures on married quarters. Will that return which is now being prepared include details of items like these?

The WITNESS: We are in process of getting out a report on married quarters, including services, for 1949-50.

The CHAIRMAN: The next item is on page N-44, allotments: search and rescue.

Mr. FRASER: On search and rescue, does the department have helicopters, as part of its equipment?

The WITNESS: We have helicopters.

Mr. FRASER: I was wondering if you had any, and where they are located, for rescue purposes, but you can leave that to be answered later.

The WITNESS: I will find the location of our helicopters.

Mr. WRIGHT: Have you the number of searches made during these years?

The WITNESS: I think that is in the annual report. Yes, here on page 14—of the annual report. It says "During the year search and rescue aircraft took part"—this is all covered in the annual report of the department.

Mr. WRIGHT: If it is covered there you need not read it.

The WITNESS: It is a comprehensive report.

The CHAIRMAN: Any questions on exchequer court awards, page N-44?

The WITNESS: The explanation is the same as the other services. These cases are settled, by the Exchequer Court.

The CHAIRMAN: On page N-45; defence research and development.

Mr. FLEMING: Under that heading we have comparative statement of accounts receivable. Are these all receivable from—

The CHAIRMAN: Shall we take the first item first?

Mr. BROWNE: On the first item, are there any details given for that? Do any of the following pages cover that in detail or not?

The WITNESS: It has not been the practice to give information on research and development work.

Mr. NOWLAN: No information at all.

The WITNESS: Except as it is contained in the annual report at page 77. We give a brief outline there of our research activities: new field research station, research activities, defence research board symposium.

By Mr. Browne:

Q. Does Chalk River come under that?—A. No.

Q. Where is that National Defence research board located?—A. It is all across the country. We have an experimental station at Suffield, Alberta, and we have laboratories at different points throughout Canada.

Q. And in Ottawa?—A. Yes, in Ottawa here. Their functions are closely tied in. We try to avoid duplication. Their operations are tied in closely with those of the National Research Council and other university research activities.

The CHAIRMAN: I think any expenditures on research have to be taken for good or for worse, without any information.

By Mr. Wright:

Q. Could the associate deputy minister make any comment on the fact that of 1,051 salaried employees only 88 were permanent, and 963 were temporary?—A. The same thing applies here 1949-50 was the year in which we were building up that organization; and later you will find that there are a larger number of permanents.

Q. It is the policy to make employees permanent as quickly as possible?—A. That is correct.

The CHAIRMAN: I was about to call the next item, comparative statement of accounts receivable.

By Mr. Fleming:

Q. I take it these accounts receivable are all receivable from government departments or agencies, are they not?—A. Mostly.

Q. Are there some accounts that are payable by persons or corporations outside the government?—A. If there was a claim, for instance, outstanding against an individual, it would be carried as an account receivable. One of the items I could mention in that category is rentals from property.

The CHAIRMAN: But you have an amount here classified as uncollectible; it is not likely that would not be due from a department of government.

The WITNESS: No.

Mr. STEWART: What is the nature of these uncollectible accounts? For instance you show one in connection with army services, W. O. Smith, \$24,794.77. That seems to be a large amount remaining uncollectible. Can we have some details about that?

The WITNESS: Actually I understand quite a lot of this is money recoverable from provinces for aid to civil power. This will all come under deferred claims eventually.

The CHAIRMAN: Where are the deferred claims?

The WITNESS: This is the matter you will have to deal with, those uncollectible accounts, in your sub-committee.

Mr. FLEMING: Are these all uncollectible to the amount of \$1,307,000? Are they all included in the accounts proposed to be written off in this proposed bill?

Mr. SINCLAIR: Some of them are here, but not all.

Mr. FLEMING: You are not proposing to write them all off?

Mr. SINCLAIR: Our report just covers items up to ten years ago; accounts uncollectible in the last ten years will not be in the report, but will be here.

The CHAIRMAN: You mean the report of uncollectible debts stopped ten years ago, and those uncollectible within the last ten years are not in that report to be written off?

Mr. FRASER: They will be in here instead; this includes both types.

Mr. STEWART: What is the nature of this amount?

Mr. FLEMING: Could we just clear up this question now? Where are we going to find the whole list? We do not want to duplicate here the enquiry that the subcommittee is going to make. Is the complete list going to be in the report that the subcommittee is going to look at, or in the detail on this page?

Mr. SINCLAIR: The complete list will not be here. Between March 1949 and March 1950 there has been an increase in the uncollectible debts, but the report we are going to consider in subcommittee does not touch any of the uncollectible debts that have risen in the last ten years.

The WITNESS: Those are items that have been transferred to deferred claims.

Mr. FLEMING: What we ought to consider now are those debts included in this \$1,307,000 figure, which have not been transferred to uncollectible accounts in the last ten years.

The CHAIRMAN: That is right. Could you give us some information on that?

The WITNESS: I can give you some information as to the items written off the deferred claims in 1949-1950. I take it that these have been dealt with as they came along.

The CHAIRMAN: This is the first time we dig into or should I say scrape the top of National Defence.

Mr. CAMPNEY: Well, there is a note here that we are given similar details in the Public Accounts of 1947-48 and 1948-49.

The WITNESS: No, the difference is not very much.

Mr. CAMPNEY: It is on page N-44, apparently they have been brought up every year in the public accounts report.

The CHAIRMAN: Have you any idea what part of this amount in the report we are considering is listed separately as uncollectible debts?

Mr. SINCLAIR: Whoever has a copy of that report can give the answer right now.

The CHAIRMAN: The copy is in the process of delivery from my office to Mr. Macdonnell's office.

The WITNESS: I will get some more information, I will get as complete a story as I can, what it represents by years. In those other items you are only dealing with up to ten years. These amounts represent accumulations in the last ten years.

Mr. FLEMING: I do not suppose we want the witness to go into every little account.

Mr. STEWART: Mr. Chairman, even though we are sitting at this end of the table we are still members of the committee. I am trying to find some details of this write-off in connection with W. O. Smith \$24,794.77. I would like some information on that.

The WITNESS: This represents money misappropriated by an officer in the office of the senior officer of pay service, Canadian army overseas. The defalcation was brought to light during an inspection of the officer's advance account on the 5th of September, 1946. Following this disclosure a court of enquiry was convened on the 7th of September, 1946 in the United Kingdom to enquire into the loss of funds, and the court of enquiry found that in all probability the shortage commenced during the period from the 4th of January 1946 to the 23rd of February 1946, and increased after that later date to its present amount until it was disclosed by the inspection referred to. Inspections of the ex-officer's advance account were held monthly as required by financial regulations and instructions for the Canadian active service force overseas. During the period the shortage was reported to have commenced and increased, concealment thereof during such inspection was accomplished by his arranging a temporary transfer of funds to his credit sufficient to cover the amount of deficiency then prevailing, which funds were returned when the inspection was completed. The officer was tried by general court marshal in the United Kingdom in October 1946 on the charge of misapplying public property. He was found guilty, cashiered and sentenced to be imprisoned without hard labour for two years. At the time of this officer's cashiering from the service his pay account reflected a credit of \$45 and this, of course, was stopped.

Mr. BROWNE: Has he served his time.

The WITNESS: I take it he must have.

By Mr. Stewart:

Q. Has any attempt been made to collect the money since he came out of prison?

A. I would like to check up on that.

Q. I have a case in point just now where an employee of the Department of National Defence borrowed a car which he had no right to do and had it smashed up pretty thoroughly. He was discharged from the army, served a sentence in prison and now he is being asked to pay a part of the damage which resulted as a result of his escapade. I wonder if the same procedure was followed here in this case, or were no efforts made to collect this amount on account of the fact of his already having served his sentence.

The WITNESS: The case you referred to, which you mentioned to me, Mr. Stewart, I looked up, and the man actually stole the vehicle, he was charged with theft, and he was tried in criminal court. He stole the vehicle. He undertook to pay the debt. I believe the amount now being paid is \$5 a month.

Mr. STEWART: Is there a difference between the ordinary soldier and an officer? Why was the soldier tried before a criminal court and the officer not?

The WITNESS: This incident referred to in the public accounts occurred while on active service overseas, and there is a difference in situation and circumstances. I will look up this case to see if he served his sentence and what action was taken to recover the amount.

The CHAIRMAN: In answer to a previous question I might say there that of the amount of uncollectible debts that is now to be submitted for the consideration of the subcommittee, National Defence has a little over \$1 million there, and the difference, \$307,000, about, would have been charged to uncollectible accounts in the last ten years.

Mr. SINCLAIR: It is a little more than that. Not just the last ten years, but debts earlier than the last ten years which the select committee still thought might be collectible.

Mr. FLEMING: Oh yes, that had not been written off as uncollectible or at least transferred to uncollectible accounts. I think we should ask the witness

when he is dealing with that to indicate in general the procedure followed with reference to collections and outline the principles followed in transferring uncollectible accounts to the uncollectible category.

The WITNESS: Well, generally speaking that is where you reach a stone wall; these things are transferred to deferred claims when there is no chance of collecting them.

By Mr. Fleming:

Q. Do you do that short of suing?—A. We do it with suit if it is possible. If there is any evidence of any estate at all we would certainly try to collect.

Q. There must be more to it than that. Do you sue in all cases or do you write-off, as uncollectible, accounts short of suing for them. If so, what is the procedure followed to satisfied yourself that they are uncollectible?—A. Well, it depends on the circumstances. If a debtor was killed and he had no estate there would be no object in trying to collect, and so there would be no suit.

Q. What kind of a search do you make to satisfy yourselves that that is a fact?—A. The proof of the evidence would show the man was not available, or they would make enquiries as to his estate through various channels; if he is a private citizen we would endeavour to find out through some of the financial agencies like Dun and Bradstreet, or make enquiries locally.

Mr. SINCLAIR: This question of course crosses right into the heart of this report. Although the actual consideration of the items of account is going to be done by a subcommittee I think the whole committee will be interested in the general principles of write-offs. In the early part of the report there is indication of the fact that there are various types of collection methods used from department to department and a suggestion is made to have a uniform system of collection instituted. After the subcommittee has looked at the items we can look at it better and then study the main report, because in the Consolidated Revenue and Audit Act they are intending to make a provision there as far as small debts are concerned, they still intend to leave major uncollectible accounts to this committee but it is proposed to make provisions for writing off items like 75 cents and one dollar, items which should not clutter up the books for years on end. So I suggest we can postpone this with advantage until we have this report and perhaps have the bill, and then we can call in different departments or the Comptroller of the Treasury with regard to the actual policy with respect to collection, and how they transfer the amounts from active to inactive accounts.

The WITNESS: We have to get treasury approval for every transfer to deferred claims and we have to give a satisfactory explanation and report in each case, and notwithstanding that we are supposed to review each case every year to see if there is any opportunity to collect, or change in circumstances that would enable us to collect.

Mr. FLEMING: Is the whole report being referred to the committee so that the committee would have an opportunity of reviewing these procedures as well, or just the bare items of debt?

The CHAIRMAN: The suggestion was just made by Mr. Sinclair that, after the subcommittee has considered the details of the report and has returned its own report to the committee then might be the time to consider here the general principles of write-offs without going into the details of each account. There would not be any purpose of sending this to a subcommittee if we were going to consider here every small item of \$3 or \$5 included in this report. There would be no purpose of having every debt dealt with here, in fact there would be no chance of doing it without increasing our hours of sitting, but the general procedure could be discussed at that time when the subcommittee brings in its report.

Mr. FLEMING: I do not know whether we are on the same point. Is that whole report of the departmental committee being referred to the subcommittee so that the subcommittee has an opportunity to review the principles that are being followed with respect to write-offs or is it just an enumeration of individual debts.

The CHAIRMAN: The subcommittee will do both. There are only three copies of this report, two of which are available to the members. One copy I sent to Mr. Macdonnell's office last night; it was not delivered but it will be in Mr. Macdonnell's office today. The other copy will be circulated so that the members of the subcommittee will have had the report in their hands for a day or two to look into it and then when the subcommittee sits the members will have taken notes on the items they want information about and they can call for this information as we go ahead.

Mr. SINCLAIR: The minister told me that the Comptroller of the Treasury or any of the members of the civil service committee who worked on that will be available to come before the subcommittee at any time.

The CHAIRMAN: When the subcommittee meets, departmental officials who drafted the reports will be available to come before it so that they can give it explanations as to why they classified these amounts as uncollectible or why they refused to do so. The subcommittee will have in attendance these people in addition to the Comptroller of the Treasury. This procedure is adopted to save time for the main committee. It is a lengthy report to deal with and that is why it has been referred to the subcommittee.

Mr. FLEMING: I am concerned that the subcommittee will have full opportunity to review the basis of write-off and the procedure followed, and all for saving time.

The CHAIRMAN: That is why the report is going to the subcommittee, and the departmental officials who have drafted it will be at our disposal, in addition to the Comptroller of the Treasury.

Shall we pass on to open accounts on page N-45. Are there any questions?

Mr. BROWNE: Page N-46, Mr. Chairman. There is another vote there for defence research board, extramural research grants. Are there any regulations governing the Minister of Finance and the Minister of National Defence in distributing these scholarships?

The WITNESS: It is all explained on page N-47.

Mr. BROWNE: I have read that but it does not give a very full explanation. Are there any regulations governing that? How is it done? Are they advertised publicly and so forth?

The CHAIRMAN: This item can be found on page N-46 under the letter "I" and the explanation can be found on page 47 under the same letter "I".

Mr. BROWNE: There was \$763,000 spent on that item last year on the recommendation of the minister.

Mr. CAMPNEY: Are not these grants made to universities.

The WITNESS: No, they are for scholarships. I would like to get some more information on that point.

Mr. FULTON: This item at the top of page N-46—national defence relief vouchers and other items—Might not consideration be given to the question as to whether there could be a write-off of some of these debts. I see no explanation on page N-47.

The CHAIRMAN: We are through with that. We are now on letter "I".

Mr. BROWNE: In connection with that extramural research I would like to know how it is distributed in the different provinces.

The CHAIRMAN: We will get a report for the next meeting.

Now, then, since there are many questions coming on this suppose we start on page N-46 at the letter "A".

By Mr. Fleming:

Q. On "A". What efforts are being made to recover these loans? Apparently they have been outstanding since wartime.—A. I will have to get some more information on this before I can answer.

Q. There are four items under "A". In the case of Australia you have a credit shown now.—A. I believe those are just current balances which are open accounts subject to adjustment in the following year.

Q. In other words they are still providing services or issuing stores?—A. No. There will be adjustments.

The CHAIRMAN: Gentlemen, we cannot hear the witness.

The WITNESS: Claims between the countries are still being received from the war period.

Mr. FLEMING: It is a continuing process?

The WITNESS: Yes, it is a continuing balance here.

The CHAIRMAN: Item "B".

Item "C".

Mr. THATCHER: Mr. Chairman, I would like a little further explanation on "C". Is that for relief vouchers from the depression days which are still outstanding? Why could they not be cleared up?

The WITNESS: Relief vouchers issued to persons formerly enrolled in relief camps under the Department of National Defence.

Mr. THATCHER: You mean you cannot find the people owing these?

The WITNESS: The people got the vouchers but never presented them for payment.

Mr. FULTON: I understand this is one of the matters that is being referred to the subcommittee.

Mr. SINCLAIR: That is a credit.

The WITNESS: These are vouchers outstanding for which a credit remains on the books to meet them.

Mr. FLEMING: You have the same sort of thing in letter "Z", cheques which are not cashed are turned over to suspense account.

Mr. FULTON: Would they not be barred now? What would they be in the form of? A cheque or something of that sort?

The WITNESS: "Z" would cover cheques drawn on open account.

Mr. FULTON: They would be credit vouchers?

The WITNESS: Yes.

Mr. FULTON: I was wondering whether it would not be proper to consider them as dead because of the operation of the Ordinary Statute of Limitation.

Mr. CAMPNEY: It does not apply to the Crown, does it?

The CHAIRMAN: There goes the noon day gun. That is better than the gavel.

Mr. RICHARD (Ottawa East): That is a good one. That must have been loaded.

The CHAIRMAN: The witness just stated that this was more or less a matter of departmental or government policy. Then there is the other answer from the parliamentary assistant that the Statute of Limitations does apply to the Crown.

Mr. FLEMING: It does not apply against the Crown, Mr. Chairman.

The CHAIRMAN: This would be in favour of it.

Mr. FULTON: Is there any way of eliminating them year after year after year? Do we have to go on carrying these things year after year until these people present their vouchers?

The WITNESS: I take it that it would be up to parliament to write off an obligation on the country, in the case of a cheque issued by the government. It is the equivalent to the government's dollars and cents.

The CHAIRMAN: Anyway, the amount is \$1,148. So may we pass on? I do not think it would change the balance sheet of the country very much. Are there any other questions on D, E, and F?

Mr. THATCHER: On F, is the same procedure followed here with respect to any prisoners who may be taken in Korea, such as were taken in the last war? I am projecting perhaps a little.

The CHAIRMAN: We are used to it by now, Mr. Thatcher.

The WITNESS: International law governs. The Geneva convention governs the method by which money would be accumulated on behalf of prisoners.

Mr. THATCHER: You are doing the same thing now?

The WITNESS: Yes.

Mr. SINCLAIR: Red China does not subscribe to the Geneva Convention.

The WITNESS: We are speaking of North Korea, presumably. I do not know what the situation is.

Mr. SINCLAIR: I do not think any of them subscribe to the Geneva Convention.

The CHAIRMAN: Items G, H, I, J, K, L, M, N, O, P, and Q.

Mr. FRASER: On Q, that would be money provided by contracts on tenders?

The WITNESS: That is right.

The CHAIRMAN: Now we come to item R, "Insurance, pensions and guaranteed accounts."

Mr. THATCHER: Referring to item F, I wonder if Mr. Ross could state whether the government is making any effort to get in touch with any prisoners of war taken in Korea today? Do you work through the International Red Cross?

The WITNESS: External Affairs are concerned with that sort of inquiry. They are the department who do these things. They consult the other countries concerned. We would be governed by whatever was the plan of the United Nations.

Mr. THATCHER: There have been Canadian prisoners taken in Korea?

Mr. SINCLAIR: Oh yes.

Mr. THATCHER: How do we get in touch with them?

Mr. SINCLAIR: We do not.

Mr. THATCHER: How do we find out? Does the International Red Cross get in touch with them?

The WITNESS: As far as they are permitted.

Mr. SINCLAIR: Red China does not belong to the Geneva Convention and they do not report prisoners. The only way they report prisoners is via the Red radio, to encourage people to listen to it, hoping that they will get the names of any relatives.

The WITNESS: I agree that China may not be a party to it.

Mr. THATCHER: Is your department, or is the External Affairs Department making some effort to find out who have been taken prisoners?

The CHAIRMAN: Evidently it might be hard to arrange for an appointment with Mr. Mao to discuss the question at length.

Mr. THATCHER: I presume so. But I suppose the government is making some endeavour to find out.

The WITNESS: I shall endeavour to find out for you.

The CHAIRMAN: You do not want to refer again to the Saskatchewan Power Commission, do you, Mr. Thatcher?

Mr. THATCHER: It is paid up in full, so why should we refer to it?

The CHAIRMAN: There was still \$9,294.29 outstanding as at March 31, 1950. We now reach insurance, pensions and guaranteed accounts, item R?

Mr. NOWLAN: Is that on an actuarial basis, or how is it set up?

The WITNESS: No, it is not on an actuarial basis.

Mr. GIBSON: How about item S? Will there be an amount of \$75 million?

Mr. THATCHER: If we have a budget surplus?

The WITNESS: The retirement fund is not subscribed to by the government. It is a statutory vote. But to the permanent service pension fund we contribute $1\frac{2}{3}$ of the amount subscribed by the service personnel.

Mr. BROWNE: I notice that there is interest amounting to \$450,000 odd under item S.

The CHAIRMAN: Where is that?

Mr. BROWNE: Interest, \$450,689.58. What was that interest on? It must be a large fund?

The WITNESS: There were contributions made by personnel, and contributions made by the government.

Mr. BROWNE: During 1949-50?

The WITNESS: And the interest would be accumulated interest credited by the Department of Finance on the moneys invested or held.

Mr. BROWNE: Do you know what the accumulation is now, or what it was at that date?

Mr. SINCLAIR: Current payments.

The WITNESS: The total is down below. The total is \$45 million. It is shown immediately below.

Mr. BROWNE: I see.

The WITNESS: Balance accrued, \$45,342,956.92.

Mr. GIBSON: What interest rate does the pension fund pay?

Mr. SINCLAIR: By statute the current rate which the government pays on outstanding obligations is set. They pay \$1.02 million on \$45 million odd, so that is a little under 3 per cent.

The CHAIRMAN: Shall we go on to the next item, "Deferred credits", item T? Sundry expense accounts? Item U; V; W; X; Y; Z; and ZA? Now, is this cleared up?

The next item includes the following five pages making up a list of employees receiving salaries at annual rates of \$3,000 or over and travelling expenses of \$500 or over.

Mr. SINCLAIR: Mr. Chairman, before we start, I would like to say that up to 1939 the public accounts contained the salaries and travelling expenses of everybody employed by the Crown. As a consequence the report was so bulky and so bogged down with unimportant details that it was difficult for members to find the things they wanted.

So in 1939 the amount was raised, and only salaries over \$2,400 and travelling expenses over \$300 were to be shown. That resulted in the report being cut almost in half.

In 1947, however, the public accounts committee recommended that the salary list be raised to \$3,000. There had been a raise in the civil service; and the scale of travelling expenses was raised to \$500.

As you know, this spring we gave a 10 per cent raise to civil servants. So throughout the report we are going to get back to almost where we were ten years ago, as far as the list of salaries is concerned.

For example, on the first page here, under the heading "General Service" there are 74 receiving between \$3,000 and \$3,600. But when we apply the 10 per cent increase to those below \$3,000, we are going to have about 4/5ths of the detailed general service made up of those in receipt of this small salary.

So the Comptroller of the Treasury made the suggestion that it would be in the line of previous practice if we should recommend that henceforth travelling expenses be left at \$500, but only salaries over \$3,600 be shown in the details of the public accounts.

Mr. BROWNE: Why not show \$3,300 salaries if you are talking about the 10 per cent raise?

Mr. RICHARD (*Ottawa East*): You would be falling into the class of ordinary clerks if you went below \$3,600, I mean head clerks and ordinary clerks.

Mr. SINCLAIR: You would know from their number of years in the service what their salary was anyhow. \$3,600 is regarded as being appropriate today, just as \$3,000 was three or four years ago, and \$2,400 ten years ago.

Mr. ROBINSON: What grade is the civil servant who gets \$3,600?

Mr. SINCLAIR: A recommendation might come from this committee. This is the first time we have come across it and I might say that this is not the worst department to see it in; but I do not think it is of interest to the public to know that G. S. Dunn gets a salary of \$3,480 per year, for example.

The CHAIRMAN: Probably 85 per cent if not 100 per cent of these people are appointed by the civil service commission anyway; so whether they get \$3,600 or \$4,000 or \$5,000, is of little interest. I think personally that salaries above \$5,000 would be the interesting things to know, because they would be men in more responsible positions, while today we are paying \$3,300 and \$3,600 to principal clerks, and to head clerks in a department.

Mr. FLEMING: There is another aspect of it which may be more important or more interesting to this committee, and that is the question of travelling expenses. A mere list of salaries is, I think, of limited interest to the committee. Would the fact that some employees receive travelling expenses over \$500 have a bearing on this list? Is it only a list of persons receiving \$3,000 or over? Are the travelling expenses shown only in the case where they amount to \$500 or over, even though the person's salary be less than \$3,000? What I mean is, if an employee received travelling expenses of over \$500, would he still have to receive a salary of \$3,000 or over before his name would appear here?

The CHAIRMAN: Page N-50.

Mr. SINCLAIR: There are junior employees whose job requires them to travel more than \$500 worth in a year. I am thinking of the middle of page N-40 for example.

Mr. NOWLAN: I think we should have a list of all employees receiving more than \$3,600.

Mr. SINCLAIR: The great criticism is that there is so much of these unimportant details that members cannot find the things they are after. So there

was a suggestion made in 1939 to cut down the volume to a size which would allow for better control. I see three pages of lists here and I doubt very much if one M.P. in two hundred has ever read that list or cares to.

The CHAIRMAN: I think the idea of keeping a list of travelling expenses is correct, but I do not think salaries should be listed below \$5,000.

Mr. FULTON: Let us not be too sweeping right off the bat.

Mr. SINCLAIR: I put forward my idea so that when we come to draw up a report the members can think it over. The Comptroller General does not suggest any change in the travelling expenses allowance, or even with respect to these junior employees who get more than \$500 in travelling expenses. But he does suggest that the \$3,000 limit be raised.

Mr. WRIGHT: In this account of salaries and travelling expenses, there is only one employee getting more travelling expenses than he does salary. It is M. Andrews. Is there some explanation for that? It is on page N-49, in the first column.

The CHAIRMAN: It is on page N-49 around the middle of the first column.

The WITNESS: He must be on the inspection service travelling around to plants.

Mr. WRIGHT: Is there only one inspector who has that job? That seems to be the only case where the travelling expenses appear to be greater than the salary, or are there any other cases where the two items are close to one another in amount?

Mr. SINCLAIR: Yes, I see the name of Downey, Marshall, and McCarthy.

Mr. FLEMING: I think we want a better answer than "he must be on the inspection".

The CHAIRMAN: I agree with you.

Mr. FLEMING: I was going to suggest that there are some of them of greater importance. We realize that some employees of the department are probably travelling a great deal of the time. But I think we should have more information. I do not want to put names on the record, but I see on page N-49 in the first column there is one name mentioned who is in receipt of travelling expenses amounting to \$3,300.88; another one in receipt of travelling expenses amounting to \$2,066.69; and then there is one in the second column in receipt of travelling expenses amounting to \$2,756.68; and another one amounting to \$2,118.15; and on page N-50 I see one at the top of the second column who is in receipt of travelling expenses amounting to \$3,404, and finally a name in the first column on page N-50 who is in receipt of travelling expenses amounting to \$2,442.95.

The CHAIRMAN: I do not want to take away from you the pleasure of reading the list, Mr. Fleming, but could you not ask for the details of all these men in general, and avoid giving the amounts?

Mr. FLEMING: Very well, let us say \$2,000.

The CHAIRMAN: You might ask: What is their category, and why are they getting \$2,000 in travelling expenses.

The WITNESS: The chief auditor's staff and the inspection staff are on the road all the time.

Mr. THATCHER: I find it hard to understand why the top five or six men in the department do not appear to receive any travelling expenses. Do they always travel by R.C.A.F. planes?

Mr. FLEMING: They get less than \$500 travelling expenses in each case, probably.

Mr. THATCHER: Would that be the answer?

The WITNESS: No. They travel on railway passes.

Mr. THATCHER: What about Mr. Drury, Mr. Mills, and yourself?

The WITNESS: We have passes the same as the members, on the railways.

Mr. FULTON: Is there not something very misleading in the salary shown as payable to General Worthington? I understood the minister to say that General Worthington received a pension and that he did not get the full salary rate which would otherwise be payable to him. But here he is shown with his salary, getting or receiving so much.

The WITNESS: He either gets \$10,000 in one sum from the department, or he draws a pension from pension fund and the balance from the department. The general policy is to waive the pension while he is so employed.

Mr. FULTON: I thought it was the other way around.

The WITNESS: His pension lies dormant while he is employed.

Mr. THATCHER: We have Mr. Drury, Mr. Ross, and Mr. Matthews, who are the top men in the department, as well as Mr. Mills, yet they have no travelling expenses other than railroad passes?

The WITNESS: Below \$500? I have not done any travelling to speak of at all.

Mr. THATCHER: Would the deputy minister not have occasion to travel across the country?

The WITNESS: He might, but in an R.C.A.F. plane, let us say, if there was a trip to Churchill. When the Defence Board moves from place to place, we make use of one of their planes in transit.

Mr. THATCHER: If you wanted to examine the Churchill base, would you take a special plane?

The WITNESS: It would not be listed here; it would not be listed as a travelling expense.

Mr. SINCLAIR: You would wait until the next routine flight went in there?

The WITNESS: It is not \$500.

Mr. THATCHER: Not \$500?

Mr. SINCLAIR: It is a very economical government! Are you disappointed that they have not got large travelling expenses?

Mr. THATCHER: I think it is strange.

The WITNESS: I have not spent \$500 in travelling expenses in that year. You keep us too busy answering your questions.

Mr. THATCHER: I think it is strange. This is one case that I find strange: that there are not travelling expenses, in view of the increase in military service, and the fact that none of our deputy ministers is doing any travelling to inspect what is being done. That looks like false economy to me.

The CHAIRMAN: Do you advocate that they should have higher travelling expenses?

Mr. THATCHER: I think they should be going around the country to see what we are doing in the way of defence.

Mr. WRIGHT: Maybe some of the other expenses would be cut down if they did.

Mr. MAJOR: Can you work and travel at the same time?

Mr. THATCHER: That is a ridiculous question.

The CHAIRMAN: Would you mind withdrawing that word, kindly?

Mr. THATCHER: Very well, Mr. Chairman.

The CHAIRMAN: Thank you. Are we satisfied with this?

Mr. ROBINSON: There appears to be a wide divergence between the salaries paid to the assistant deputy and to the special adviser to the minister. What is the statutory or other authority on which special payments are based?

The WITNESS: You are referring to Admiral Stephens and to General Worthington. They were brought in for special purposes. Admiral Stephens, as you may know, is an ex-naval engineer.

Mr. ROBINSON: I was wondering about what authority there was for making those payments.

The WITNESS: It would be an Order in Council authority.

Mr. ROBINSON: And what about the assistant deputy minister?

The WITNESS: That is a civil service commission appointment.

Mr. SINCLAIR: His salary has been increased since this time.

Mr. FULTON: What are the responsibilities of Admiral Stephens?

The WITNESS: Labour relations is one of his main duties, and a very important one in running the dockyards.

Mr. FULTON: His main work has to do with personnel?

The WITNESS: Yes.

Mr. FULTON: What are his qualifications in that regard?

The WITNESS: He is a Rear Admiral engineer, which means that he was in charge of engineering work at a dockyard. He is fully familiar with that type of work. He is not only familiar with that type of work but he is familiar as well with the necessity of having good relations with labour.

Mr. FULTON: As a special adviser he would advise the minister in connection with defence installations in just dockyards?

The WITNESS: For anything the minister wanted he would certainly use his experience and advice.

The CHAIRMAN: Now are there any further questions on the job list?

Mr. FLEMING: The report which Mr. Ross will bring in will include the item on page N-50 marked "Living allowance, annual rate", at the end of the first column at the top of the page in connection with the name of Simson?

The WITNESS: Yes. This happens to be an officer who was stationed in Paris. He was in charge of all engineering arrangements and road maintenance at Vimy Ridge and at the memorials over on the continent. But I shall get that information for you.

Mr. FLEMING: In his case it would appear that the travelling allowance was on a fixed annual basis?

The WITNESS: No, they include both.

Mr. FLEMING: You mean included in his living allowance?

The WITNESS: No. There is in this figure both travelling and living.

Mr. FLEMING: You will get us a break-down of it?

The WITNESS: Yes, I shall produce the figures.

Mr. FLEMING: Is it not on the basis of the actual expenditure on living and on travelling, or is there any fixed allowance for either purpose?

The WITNESS: I shall give it to you when I bring in the other answers.

The CHAIRMAN: We are reaching page N-55, the list of suppliers receiving \$10,000 or over from this department.

Now, I think this would fall more under the C.C.C. The list already selected by Mr. Fulton is being the object today of an answer; it has been tabled and will be published.

Did you have a question Mr. Browne?

Mr. BROWNE: Yes, on that Bell Telephone account in there for \$396,863.22.

The CHAIRMAN: Which one is that?

Mr. BROWNE: The Bell Telephone Company, it is nearly down at the bottom of the page, about the tenth line from the bottom. What is that for?

The WITNESS: That would be bills for long distance calls, installation of switchboards, maintenance of lines.

Q. This was in 1949-50. That seems to be a large amount for a non-war year.—A. This is for service supplied right across Canada.

Q. Do you know what the amount was in 1948-49?—A. No, I have not got the figures here.

Q. How does it compare with 1948-49?—A. You want the figures for the previous year on that? I will get them.

The CHAIRMAN: I think we might have a word on the suggestion of postponing dealing with these until we have the C.C.C. before us because all these amounts have been spent through them.

Mr. BROWNE: All the amounts including the Bell Telephone Company?

The WITNESS: I will answer that.

The CHAIRMAN: The answer was given already on the Bell Telephone Company, but if you want it in detail they will get it in detail, but it is up to the committee. If there are any questions you feel, or the witness feels he can answer and wants to answer as far as his own information or knowledge is concerned, there is no objection to asking them, but most of these items here I do not say 100 per cent, but at least 80 per cent come under the C.C.C.

The WITNESS: I would like to say this, Mr. Chairman, take the Bell Telephone account—that file may consist of bills as high as that.

By Mr. Browne:

Q. Is there any summary made of that?—A. No, the bills are paid and there is a summary in total, which is here.

Q. But you yourself gave two or three items which you said might be included such as long distance telephone calls, and it seems to me that if this is a normal expenditure in a normal year we certainly are going to go up into the millions this year.—A. When I said about the bills for the Bell Telephone Company, I had looked at one item there, I think it was Johnson in Vancouver. There are three files about this thick in connection with that.

Q. Is that Bell Telephone?—A. No, I am speaking of another case. To go through these in detail would mean going through hundreds of thousands of documents.

Q. The telephone business seems to be a comparatively simple public utility like water, gas or electricity and you would think there would not be much difficulty in securing the details.—A. Yes, but it is right across the country. It is a large item for our department. You have twenty-two naval divisions, you have command camps and so forth.

Q. The Bell Telephone Company is not across Canada.—A. No.

Mr. SINCLAIR: You pay these bills locally, do you not?

The WITNESS: We pay them locally.

Mr. BROWNE: There are other telephone companies in Canada.

The CHAIRMAN: May I suggest this is not a very competitive business. Their rates are fixed long in advance subject to review by boards throughout Canada, public service boards. Of course we may discuss your question on the advisability of making this or that long distance call but the bills in general would be

hard to check. These companies regulated in their charges for service so there cannot be any suspicion that there is something wrong in this figure or that, because their rates are fixed.

Mr. BROWNE: We had the matter up last year when we asked who was to advise when a long distance call was to be made.

The CHAIRMAN: That is to be left to the discretion of the people who are responsible. They are reminded by memoranda, copies of which have been submitted to the committee, of the necessity for economy. I think it would be very hard for the committee to go through that and have the department make a check on each little item except the local check that is made each time a bill comes in.

Mr. BROWNE: Well I will reduce that question to a comparison with the previous year, the total amount paid out for similar service in the previous year.

Mr. FULTON: Mr. Chairman, before we leave this, I have an inquiry to make about the Canadian Commercial Corporation—as to the amount of \$1,740,323.03 on page N-56, which is shown to have been paid to the Canadian Commercial Corporation. Why should that amount be paid to the Canadian Commercial Corporation. I thought they merely acted as an agent for you in placing contracts and that you made all payments direct to the contractor. Could you tell us what sort of service this payment to the C.C.C. would be for?

The WITNESS: I would like to table a reply to that. I will get it later.

Mr. CHAIRMAN: I think the witness could explain to the committee in a few words about the 'phone calls. When these 'phone calls are made I understand there is a form that the party making the call must fill out each time he makes a long distance call and he must specify on that form what is the reason for the call and other pertinent information. I think the witness could say a few words that would cover that.

The WITNESS: As I explained before, the making of a long distance call is limited to senior officials.

Mr. STEWART: Of what rank?

The WITNESS: A colonel or above, or director of a branch. Every long distance 'phone call that is made is recorded and when the bill is received it has to be sent back to the official who made the call.

The CHAIRMAN: Excuse me. When you say it is recorded, that means the man fills out a special form or a little slip of paper each time he makes a 'phone call.

The WITNESS: They have not quite the same system in force in the three services. My secretary keeps a note of all calls and it is the same thing in every department so that when they get the bill they go back to these records to see that they have made the call and in most cases the time is kept, and when the bills are received they are traced back to these records and certified that the call was necessary. In other words each individual has to show the reason why the call was made. Now when we get the bills at the deputy minister's office we make a point of going through the bills and taking out items that appear to be large and refer these back to the three services who in turn take the matter up with the officials and in most cases where we have had occasion to criticize a large bill there has been good reason for it. The situation is watched very closely; with the exception of the human element which is bound to creep in occasionally we do keep fairly good control over long distance calls.

By Mr. Thatcher:

Q. There is one expenditure I would like to ask the associate deputy minister about. Would you explain the item of \$71,746 paid to the R.C.M.P.?—
A. That is for arrest of personnel, deserters. That is about the principal item in that.

Q. You mean you have to pay out this amount for that?—A. We pay their out of pocket expenses. They would not have funds to do it.

Q. Do they do any sort of intelligence work for your department?—A. They do some intelligence work.

Q. Would that be included in that figure?—A. Not necessarily, but if they had to expend moneys they would probably require us to put up the funds.

The CHAIRMAN: Where do you find that?

Mr. THATCHER: That is on page N-56. It is about half way down the page—Royal Canadian Mounted Police, \$71,746.02.

Mr. FULTON: That is covered in a question I asked, and I believe the answer is tabled already.

Mr. THATCHER: Mr. Ross, your department has no specific intelligence department aside from the IX R.C.M.P.?

The WITNESS: Yes, we have our own intelligence department. The three services definitely have their own intelligence departments. That is the way we keep track of what is going on, and that is the reason why we have military attaches, to pick up information which is all co-ordinated, discussed and reviewed.

Q. What about counter espionage work within Canada. Do they do any work on that?—A. In conjunction with the other police authorities.

Q. How many men are involved in that, or would that be security?—A. I would prefer not to answer.

By Mr. Fleming:

Q. Just a question about the general nature of these items. These amounts on pages N-55 to 65 are, I gather from the heading, simply payments for supplies rather than for services, although I note on page N-60 that a payment was made to Main & Rensaa, of Edmonton, to the amount of \$10,784.75 and I recall that on page 24 they were paid for services as consultants re permanent married quarters. Could we have an explanation of just what these payments cover.—A. These are payments to contractors on contracts. This covers services. These payments listed here include amounts paid out for services.

Q. Services are included?

Mr. FULTON: The heading says "suppliers".

The WITNESS: Supplies and services.

Mr. FLEMING: The heading is rather misleading. These are called suppliers receiving \$10,000 or over from this department. Now do you include services in here? On page N-24 we have a note of a payment made to James Adam in the amount of \$55,000, and another of \$37,500 for services as a consultant architect, but there is no reference to a payment to James Adam on page N-55.

Mr. FULTON: Is that not explained by your note, Mr. Ross, payments to certain contractors?

The WITNESS: I am informed in preparing these documents for public accounts they did not include these people in this list here because it is given in detail elsewhere.

Mr. FLEMING: But this heading, then, is not accurate when it suggests that this is a list simply of suppliers of goods. There are payments here which are not made to suppliers. I take it that suppliers mean suppliers of personal services as well as of goods.

The WITNESS: Other than as shown in detail on the pages before.

Mr. FLEMING: On that point Mr. Chairman, I think before we leave this question of payment of fees I would like to have a comprehensive statement from Mr. Ross, if you will prepare it, on payments made to architects or to consulting engineers or those who are commonly called owners agents, during the year under examination.

Mr. FULTON: I think if you will excuse me I asked Mr. Drury a very similar question sometime ago, and an answer has been tabled, and it covers exactly the points Mr. Fleming is asking about. Mr. Ross will find a good deal of the information already in the record.

The CHAIRMAN: I think we have had an answer supplied partly if not in whole to Mr. Fleming's question. There has been an appendix filed covering fees paid to engineers and architects.

Mr. FULTON: I asked him to show in connection with barrack construction in this year's public accounts what money was paid for architects and engineers fees in connection with those projects, so it may cover most of Mr. Fleming's question.

The CHAIRMAN: We will ask the witness did you or did you not up to now produce this, architects fees and so on.

The WITNESS: No, I have not. Mr. Drury did.

The CHAIRMAN: Is it produced?

Mr. FLEMING: My question applies to construction work in general carried out by the department. It may be that the answer brought in by Mr. Drury in answer to Mr. Fulton's question is confined to construction of barracks, but I am thinking of construction in general which would not be very difficult for Mr. Ross to bring in, statements covering the payment of architects or consulting architects or outside engineers or owners' agents fees in connection with the construction work in general carried out by the department in the period under examination, and the nature of the services rendered, and in each case some explanation of the item.

The WITNESS: You want an extension of what has already been tabled?

Mr. FLEMING: I think the table ought to tell us the name of the person or firm and the amounts paid, and the company in each case, and what services were rendered. That would indicate geographic location of the work and enough information to enable the committee to understand and evaluate the service.

The CHAIRMAN: On page 292 of our minutes we have a list of payments made for architectural and engineering services for the construction of buildings other than married quarters which will be the subject of another report. There is a list of names followed with amounts and an explanation at the end, on all construction of buildings other than married quarters.

Mr. SINCLAIR: I move we adjourn.

Mr. WRIGHT: I have a question I want to ask Mr. Ross on these contracts on pages N-55 to N-65. There are hundreds of them and I understood you, Mr. Chairman, to say that most of them are covered by C.C.C.

Mr. CHAIRMAN: I just stated that I think the largest part of them are covered by the C.C.C. and that the C.C.C. would be the best people to answer the questions.

Mr. WRIGHT: I wanted to ask Mr. Ross in his opinion if that is correct and what type of these contracts will be covered by C.C.C. You cannot give individual contracts that are covered by the C.C.C. on orders from your department, but I just want to know the types.

The WITNESS: All our purchases are made by C.C.C. except some small local purchases.

Mr. WRIGHT: Less than \$10,000. These would all be covered then?

The WITNESS: Yes.

Mr. NOWLAN: On this return to which reference has been made, on page 292, could we have the amount for these various services, such as amounts paid to James Adam and the others which are listed in these pages 292 to 293?

The CHAIRMAN: What do you mean by the amount?

Mr. NOWLAN: The bills for all the services that were incurred.

Mr. BROWNE: Actual bills submitted, Mr. Chairman.

The CHAIRMAN: We will now adjourn until Tuesday morning. Will it be all right to dispose of these witnesses for the moment and bring before us witnesses from the C.C.C., and then these gentlemen will come back for a special meeting where a discussion will take place on the different answers that have been given to the committee.

The committee adjourned.

APPENDIX "A"

DEPARTMENT OF NATIONAL DEFENCE

PUBLIC ACCOUNTS 1949-50

Fees for Special Courses Navy \$704,626.81

Six weeks course at Royal Conservatory of Music, Toronto—10 Lessons at \$2.50 each.....	1 Bandsman	25 00
Seven months course in Dermatology, University of Michigan Medical School.....	1 Officer	105 00
Six months foreign language course in Paris, France....	1 Officer	180 00
Joint Services Staff Courses.....	2 Officers	640 64
Six lectures at Bureau of Mines on Physical Metallurgy. Tuition fees, books and instruments of R.C.N. officers and men attending Canadian Universities.....	12 Officers	30 00
Technical Courses for R.C.N. (R).....	63 Officers	18,341 04
Tuition fees and other expenses attending courses at Washington, D.C.		542 00
British Admiralty for following courses in U.K.....	3 Officers	60 00
Instrument Flying Courses	596 Officers & Men	684,476 10
Air Weapons Officer Courses		
Junior Officer Air Courses		
Engineering Courses		
Gunnery Courses		
T.A.S. Courses		
Air Training Courses HMS "Vulture"		
Air Training Courses HMS "Fulmar"		
R.N.E. College "Thunderer"		
Executive Officer Courses		
Voice Training Course for Radar Plot Instructors.....	2 Instructors	227 03
	681	\$ 704,626 81

APPENDIX "B"

TRAVELLING ALLOWANCES FOR PERSONNEL OF ARMY SERVICES AND EQUIVALENT RANKS IN NAVAL AND AIR SERVICES AS AT MARCH 31, 1950

For a period not exceeding 30 days in any one place

Rank	In lieu of Quarters and Rations	In lieu of Quarters	In lieu of Rations
Colonel and above.....	\$11 00	\$ 6 00	\$ 5 00
Lieutenant-Colonel and Major.....	10 00	5 50	4 50
Commissioned Officers below the rank of Major.....	9 00	5 00	4 00
Warrant Officer, Class I.....	8 00	4 00	4 00
Warrant Officer, Class II, and Non-Commissioned Officers of the rank of Sergeant and above.....	7 50	3 50	4 00
Rank below Sergeant.....	7 00	3 00	4 00
Rates for Meals	Breakfast	Lunch	Dinner
Hotels and Restaurants.....	\$1 00	\$1 25	* \$1 75
Rail or Ship.....	1 25	1 50	2 00

DETAILS OF CONTRACTS

Name of Firm	Location	Amount	ITEMS
		\$ cts.	
<i>A. In the United States</i>			
Air Carrier Service Corporation.....	Washington, D.C.....	12,268 43	Aircraft Spare Parts—Radio Test Sets and Misc. special equipment for RCEME Workshops.
Air Industries Inc.....	Arlington, Va.....	23,269 55	Switches, Ear Phones, Connectors, Couplings, Transmitters, Amplifiers, Cable, Conductors—Air Communications Equipment.
Aircraft Engine and Parts Corpn.....	New York.....	46,870 00	Oscillators for Airborne Communications Equipment.
American Electroneering Co.....	Los Angeles.....	83,832 94	Transmitter Receivers, Antennae, Potentiometers, Test Sets. Indicators and parts for Airborne and ground communications and Navigation aids.
American Instrument Co. Inc.....	Silver Spring, Md.....	10,887 81	Laboratory Equipment and parts for RMC and for development work for DRB.
Arrow Sales Inc.....	Chicago, Ill.....	41,256 59	Radio Receivers, Amplifiers, dynamotors for Airborne Communications and equipment work in Dakotas, Mitchell and Expeditor Aircraft.
B. G. Export Corpn.....	New York.....	19,983 73	Gauges, Bushings, Adapters, spark plugs for miscellaneous aircraft.
Electric Motors Corpn.....	Indianapolis.....	14,250 00	Semi Trailers gasoline, for Aircraft re-fuelling, complete with engine pumping equipment.
J. A. Fouchaux Co.....	New York.....	162,385 73	Electric Cable, USN Type—Generators—not available in Canada and required for new ships to be commissioned and for ship repairs.
G. & M. Equipment Co.....	North Hollywood...	28,851 03	Bench Test Sets, Signal Generators for Radio transmitting air and ground equipment. US Service Pattern transmitting equipment for development work.
Gleason Works.....	Rochester, N.Y.....	10,827 30	Generator, generator tool sharpener and tools; Gear cutting machinery for gunnery control clocks.
Graflex Inc.....	Rochester, N.Y.....	30,516 25	Photo recorders and spare parts for aerial photography.
Jack & Heinz Precision Industries.....	Cleveland, O.....	62,585 10	Inverters, Generators, spare parts, misc. tools and electric power supplies.

DETAILS OF CONTRACTS

Name of Firm	Location	Amount	ITEMS
		\$ cts.	
A. In the United States—Continued			
P. R. Mallory & Co. Inc.....	Indianapolis.....	19,072 12	Condensers, Voltmeters, Ammeters, Recto Starters for battery charging and aero engine starting. Special equipment for RCEME Workshops.
McElroy Mfg. Corpn.....	New York.....	34,934 35	Motor driven tape winders, teletype relay system equipment. Parts for American made equipment, Morse Package units for communication equipment.
National Association of Broadcasters.....	Washington, D.C....	13,230 00	Rent of premises 1760 N. St. N.W. Washington, D.C. for 12 months at \$1,050 per month plus U.S. exchange (for Cdn. Joint Staff).
North American Aviation Inc.....	Los Angeles.....	342,313 07	Spare Parts for F86, Licences for F86 production in Canada.
Northern Electric Equipment Co.....	Toledo, O.....	11,063 25	Fuel booster pumps.
Northern Radio Co. Inc.....	New York.....	96,180 73	Oscillators, frequency Shift Keyer, spare tube kits, parts for communications equipment. Special purpose equipment. Maintenance, operational and instructional requirements.
Clarence E. Page.....	Oklahoma City.....	26,506 66	Spare Parts, circuit breakers and misc. tech. equipment—Air frame spares, pumps.
Presto Recording Corpn.....	Hackensack, N.J....	59,990 13	Operating Spares for Loran trainer.
Radio Ham Shack Inc.....	New York.....	18,284 68	Tubes, JAN, for design and development purposes—Also operational equipment.
Scott Testers Inc.....	Providence.....	10,952 04	Electric Motors, electronic recorders, temperature recorders, testers, etc.
Southland Aero Supply Co.....	Norfolk, Va.....	54,980 04	Aircraft Spares, Airframe engines, accessory spare parts such as Valve Assemblies, Cowling engine assemblies for Mitchell Aircraft, etc.
Sperry Gyroscope Co. Ltd.....	Long Island.....	92,959 77	Components of Airborne search radar set for experimental purposes. Conversion and manufacture of Naval Armanent.

Superior Air Products Co.....	Newark.....	15,016 00	Liquid Air Plants, Containers for laboratories—RMC—Not standard item and not available in Canada.
Technical Materiel Corp.....	New York.....	22,746 63	Teletype, regenerators, tubes and valves—and for W/T maintenance.
Texas Engineering & Mfg. Co.....	Dallas.....	15,562 54	Aircraft spares, miscellaneous for all different types of aircraft.
Thompson Products Inc.....	Cleveland.....	37,272 45	Booster Pumps.
United States Steel Export Co.....	New York.....	40,794 55	Electric Cable, USN Type—for ship repairs.
United States Treasury Department.....	Washington.....	567,826 62	Stores, supplies, gasoline, water supplies, MT spares, landing fees—hangar fees—maps—charts—Damage Claims and miscellaneous.
Willys-Overland Motors, Inc.....	Toledo, O.....	190,956 12	MT Spare Parts for Willys-Overland jeeps.
<i>B. In Canada and Elsewhere</i>			
Ahern & Soper Ltd.....	Ottawa.....	13,194 91	Valves, Tubes, Motors, Lamps for communications equipment and for experimental and development purposes. Maintenance and repair of W/T Equipment.
Associated Screen News Ltd.....	Montreal.....	52,285 95	Projectors, Cameras, Lamps, spare parts Screens, Film, for instructional and training purposes.
Ross Baker Motors Ltd.....	Vancouver.....	42,046 42	M.T. spare parts and repairs.
Berec Battery Export Co.....	London, Eng.....	12,427 80	Dry Batteries for British type wireless sets.
Department of National Revenue.....	.....	866,551 41	Payment of customs, excise and sales tax on Department of National Defence imports.
R.C.M.P.....	Ottawa.....	71,746 02	Apprehension of deserters, Corps of Commissionaires employed by R.C.M.P. for guarding dockyards and security duties.
Canadian Pratt & Whitney Aircraft Co. Ltd....	Montreal.....	1,113,687 92	Aircraft parts such as propeller cases, clutch assemblies, hydraulic pumps, heaters, rotor assemblies, blade assemblies, gaskets, cylinders, gear boxes, reduction and repair of Wasp engines.
Canadian Shipping Brokers Ltd.....	London, Eng.....	163,754 76	Agency to clear all shipments to a board.
Can. Wm. A. Rogers Ltd.....	Toronto.....	22,787 53	Stamped electro-plated cutlery for messes of ships and establishments.
The Foundation Company of Canada Limited..	Montreal.....	4,795,708 41	General Construction.
Gilbert & Morrison Travel Agency.....	Ottawa.....	27,298 64	Travel tickets for transportation by rail and air covered by warrants.
Holborn Trust Co. Ltd.....	London, Eng.....	18,578 23	Rent for No. 11 Hill St., London, Eng.

DETAILS OF CONTRACTS

Name of Firm	Location	Amount	ITEMS
		\$ cts.	
B. In Canada and Elsewhere—Concluded			
Horne & Pitfield Ltd.....	Calgary, Alta.....	33,005 20	Food Supplies—Dawson Creek—Suffield—Edmonton—Calgary.
Hudson's Hope Co. Sales.....	Fort St. John, B.C....	111,947 03	Coal supplies—Fort Nelson, Fort St. John, Whitehorse, Northwest Highway Staging Route.
Johnston Motor Co. Ltd.....	Vancouver.....	31,166 05	M.T. Spare Parts.
Levitt Safety Appliances Co.....	Toronto, Ont.....	45,669 40	Fire Extinguishers, Cartridges for fire extinguishers, hose, leather gloves, and minor supplies.
Levy Auto Parts Co. Ltd.....	Toronto, Ont.....	236,167 61	M.T. Spare Parts.
Metropolitan Broadcasting Service Ltd.....	Toronto, Ont.....	29,173 24	Broadcasting Services. Recruiting R.C.A.F.
Moffats Ltd.....	Weston, Ont.....	797,753 93	Electric Ranges, toasters, parts for married quarters and replacements.
Mount Enterprises Ltd.....	Montreal, Que.....	688,346 15	Construction of Permanent buildings and services, R.C.A.F. sites.
Seaboard Advertising Co. Ltd.....	Vancouver.....	18,973 24	Painting interior and exterior of buildings.
Tree Surgery Co. Ltd.....	Montreal.....	16,729 41	Snow clearing, planting, landscaping, etc.

A review of the invoices covering the purchases from this firm indicates that it would require actual inspection of the items purchased, many of which will no longer be traceable, to identify items which might have been acquired by this company as Canadian War Surplus. The company has apparently acquired war surplus stocks from all over the world some of which might have been manufactured in Canada and sold or released to other countries under mutual aid.

This firm is an authorized agent for a number of Companies for the sale of newly manufactured stores and equipment and also manufactures some parts themselves. A percentage of the purchases covered by these expenditures would be of this type.

Reference is made to a report tabled by Mr. McIlraith, Parliamentary Assistant to the Minister of Defence Production in the House of Commons Debates Official Report, Monday April 23, 1951, page 2268.

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11/24/24

HOUSE OF COMMONS

PUBLIC ACCOUNTS

No. 19

WITNESS:

OTTAWA
EDMOND CLOUTIER, C.M.G., O.A., D.S.P.
PRINTER TO THE KING'S MOST EXCELLENT MAJESTY
CONTROLLER OF STATIONERY
1951

MINUTES OF PROCEEDINGS

HOUSE OF COMMONS, Room 430.
TUESDAY, June 5, 1951.

The Standing Committee on Public Accounts met at 11:00 o'clock a.m., the Vice-Chairman, Mr. David A. Croll, presiding during the first hour. At 12:00 o'clock noon the Chairman, Mr. L. Philippe Picard, having arrived, assumed the Chair.

Members present: Messrs. Ashbourne, Blue, Brisson, Browne (*St. John's West*), Campney, Cavers, Croll, Fleming, Fraser, Fulton, Gibson, Harkness, Kirk (*Antigonish-Guysborough*), Larson, Macdonald (*Edmonton East*), Nowlan, Pearkes, Picard, Richard (*Ottawa East*), Riley, Robinson, Sinclair, Thatcher, Weaver, Wright.

In attendance: The following officials of the Canadian Commercial Corporation: Mr. W. D. Low, O.B.E., Managing Director; Mr. W. J. Atkinson, O.B.E., General Purchasing Agent and Mr. F. F. Waddell, Secretary and Legal Adviser.

The Committee resumed consideration of the public accounts for the fiscal year ended March 31, 1950.

The Vice-Chairman introduced to the Committee the officials of the Canadian Commercial Corporation in attendance, whereafter Mr. Low was called.

The witness read a statement in which he outlined the administrative functions of the Corporation and was questioned at length thereon. Mr. Low was requested to supply certain detailed information on the matters arising out of his examination and he indicated he would undertake to supply such information at the earliest possible date.

And the examination of Mr. Low still continuing; the said examination was adjourned to the next meeting.

At 1:00 o'clock p.m., the Committee adjourned to meet again at 11:00 o'clock a.m., on Thursday, June 7.

ANTOINE CHASSÉ,
Clerk of the Committee.

MINUTES OF EVIDENCE

HOUSE OF COMMONS,
JUNE 5, 1951.

The Standing Committee on Public Accounts met this day at 11 a.m. The Vice-Chairman, Mr. David A. Croll, presided.

The VICE-CHAIRMAN: Gentlemen, we have a quorum. All of you received a letter from the chairman dated the 31st of May having reference to the Canadian Commercial Corporation. We have here this morning Mr. W. D. Low, O.B.E., Managing Director; Mr. W. J. Atkinson, O.B.E., General Purchasing Agent; Mr. F. F. Waddell, Secretary and Legal Adviser. These are officials of the Canadian Commercial Corporation. Now, Mr. Low has a statement which he will make. I suggest that after he makes this statement—he will read it slowly, since he has only one copy—there may be some general questioning afterwards. Some members have sent in requests for specific information. Some of that information will be available immediately after we are finished with the general statement. If there are any other members who have requests for specific items they want the officials to deal with we would appreciate having you advise the clerk so that the officials are able to obtain the necessary documents, otherwise they will not be able to answer some of the questions that are asked here.

Mr. THATCHER: Excuse me, Mr. Chairman, you said you are going to have general questioning before you go to the specific questioning?

The VICE-CHAIRMAN: Yes. Mr. Low will read his statement.

Mr. W. D. Low, O.B.E., Managing Director of the Canadian Commercial Corporation, called:

The WITNESS: Under the direction of the Minister of Trade and Commerce the Canadian Commercial Corporation was made responsible for purchasing the requirements of the Department of National Defence. This work was conducted under the authority contained in the Munitions and Supply Act.

The corporation did not initiate or decide upon defence requirements. This is the responsibility of the Department of National Defence. As requirements became known, requisitions were prepared by the Department of National Defence and transmitted to the corporation. These requisitions indicated the nature and quantity of the stores required, showed an estimated value and specified where and by whom inspection was to be carried out. The corporation was not responsible for inspection which in most cases was made the responsibility of the Controller General of Inspection Services, Department of National Defence. Nor did the corporation pay for the goods purchased. Contracts placed by the corporation contained instructions for the transmission of invoices directly to treasury officers of the Department of National Defence for payment.

Generally speaking, the corporation, in carrying out these purchasing functions, acted as an agent of the Minister of Trade and Commerce under the appropriate sections of the Munitions and Supply Act.

The policy of the corporation in purchasing for the Department of National Defence was to establish prices and award contracts by means of competitive

tenders in all cases where it was possible to do so, and to seek out all possible sources of supply irrespective of any consideration except to provide what was needed in the time required and at the lowest possible price.

In order to carry out this policy, the purchasing division at Ottawa, and each of the thirteen district purchasing offices operated by the corporation in Canada, maintained complete classified mailing lists showing the names of all suppliers who had requested an opportunity to tender, and any others who were considered to be in a position to manufacture or supply each type of stores or services. These lists were reviewed constantly and kept up to date to ensure the widest possible distribution of invitations to tender in order to obtain the competition necessary to secure low prices.

Tenders for construction projects, the cost of which were in excess of \$5,000 were invited by means of public advertisement in the press. About 95 per cent of the contracts placed by the corporation were awarded as the result of competitive tenders, and the remainder by direct negotiation as it was not always possible to invite tenders on work of a secret nature, on development work and for spare parts or other articles available from one source of supply only.

The purchasing procedure followed had been developed over a period of years. When requisitions were received by the corporation, purchase files were immediately set up and referred to the purchasing agents concerned. On receipt of such a file, the purchasing agent examined it carefully and determined whether tenders should be invited. If so, he prepared a list of all of the companies considered to be in a position to produce or supply the stores or services required. The date on which tenders were to close was established, bearing in mind the locations of the companies being invited to tender. The invitation to tender form was then prepared and mailed together with any relevant drawings and specifications. A return envelope bearing the tender number, the name of the firm and closing date was also provided. It was the policy of the corporation to invite tenders on the basis, "sales tax included, F.O.B. delivered" for purposes of easy comparison when tenders were received.

If a security deposit was required, a statement to this effect was made on the invitation to tender, specifying the amount or percentage of the tender price required.

A copy of each invitation to tender issued at headquarters was forwarded to the tender opening section of the secretary's division, together with a list of the companies invited to tender.

Immediately tenders were received by the corporation they were forwarded unopened to the tender opening section, where the envelopes still unopened were stamped with the hour and date of receipt. They were then placed in specially constructed, locked, metal tender boxes, one of which was provided for each day of the week, Monday to Friday, inclusive. Tenders were sorted into these boxes in accordance with the closing date shown on the envelopes. Each tender box was equipped with two locks, the keys for which were held by responsible officers of the corporation. The closing hour was set at 4 p.m. and at that time each day the appropriate box was opened and the tenders extracted. The tenders were then opened, stamped with the date and hour of opening, and initialled by the two officers concerned. The tender opening section then prepared a list, in duplicate, of all the tenders received, making a separate list for each file. When these lists were completed, the tender box was relocked, and the date on it changed to one week later. The tenders received were then delivered to the purchasing agents concerned, who signed one copy of the tender list which was retained by the tender opening section as proof of delivery.

If any tenders reached the corporation after the closing hour set for them, they were returned unopened, accompanied by an explanatory letter from the

secretary's office. If it was necessary to open the envelope to extract specifications, or for any other reason, this was done, but in any such case the accompanying letter clearly explained why the tender was opened.

The procedure followed by the district purchasing offices of the corporation was similar in every respect.

Immediately tenders were received by the purchasing agent a tabulation was prepared. This was done just as quickly as possible, and in any case within twenty-four hours after receipt of tenders. After a tabulation was completed, if technical assistance or advice was required before a decision could be made, the purchasing agent consulted the appropriate technical officer of the Department of National Defence, and obtained from that department a memorandum containing its recommendation as to the company with whom the contract should be placed. If the Department of National Defence recommended awarding the contract to other than the lowest tenderer, the reason for making such recommendation had to be fully explained.

When the purchasing agent had considered the recommendation, if any, which had been received from the Department of National Defence, and all other factors which may have had a bearing on the choice of the supplier, and when he had decided to whom, in his judgment, the contract should be awarded, action proceeded towards the actual execution of the contract.

Since the signing of a contract is the point at which Crown funds are first committed, the circumstances under which a contract may be signed and the persons who may sign it were carefully defined in written instructions issued in this connection. The general purchasing agent and certain purchasing agents were authorized to award contracts not exceeding \$5,000 in value. However, no contract over \$5,000 in value could be awarded until a full description of the proposed contract and of the negotiations leading up to it had been given by means of a "contract report" to the corporation's purchase investigator for approval. The purchase investigator, chosen by reason of lengthy experience in the business of buying and because of his familiarity with government buying in particular was responsible immediately to the managing director of the corporation. The purchase investigator had access to the purchase file and all other documents having any bearing upon the proposed transaction; and every circumstance from requisition through invitations to tender, tender opening, price negotiation, financial terms, delivery, even the reputation and financial position of the proposed supplier was scrutinized by him with a view to assuring the management that it may have reasonable expectation that the contract had been fairly negotiated without any prejudice and would be performed economically and satisfactorily.

When approved by the purchase investigator the contract still required formal authorization before being entered into.

If the expenditure did not exceed \$15,000 this authorization was given by the deputy minister of Trade and Commerce under authority contained in the Munitions and Supply Act. In practice, this authority was in fact, given by the managing director or the secretary of the corporation under authority contained in a power of attorney granted by the Minister of Trade and Commerce.

Where it was proposed to enter into a contract involving an expenditure in excess of \$15,000 the authority of the Governor in Council was required. Therefore, all purchase files involving an expenditure in excess of \$15,000 were referred by the purchase investigator to the submissions to council section, which prepared a submission based on the information given in the contract report, supplemented where necessary by the material on file, and these submissions after being approved by the managing director, were referred to the deputy minister of Trade and Commerce for approval and submission to the minister. When signed by the minister, such submissions were then forwarded to Privy Council office, and no purchase action could be taken by the corporation until they were formally approved by Privy Council.

The procedure which I have just outlined was applicable as well to the district purchasing offices. All purchase files involving expenditures in excess of \$5,000 were forwarded to headquarters so that authority could be obtained to award contracts.

With the exception of construction projects, foodstuffs, fuel and commodities of a similar nature, it was the responsibility of the corporation to follow up contracts to ensure that they were completed within the time specified in the contracts.

The VICE-CHAIRMAN: Gentlemen, you have heard the general statement. If there is any questioning, Mr. Low is prepared to answer questions.

By Mr. Fleming:

Q. Mr. Chairman, I think probably Mr. Low will understand we are dealing with the fiscal year 1949-50. Within that period have you figures with you to indicate, first, the number of contracts, then give us some idea of the total amount of them, which the Canadian Commercial Corporation negotiated?—A. During the fiscal year 1949-50 the corporation awarded 84,600 contracts in all on behalf of the Department of National Defence, the total value being \$221,538,679.59.

Q. Were you negotiating contracts for any other government department than the Department of National Defence?—A. I do not think we were, not during that fiscal year.

Q. You were acting exclusively as agents for the one department, then?—A. Yes—I beg your pardon, there was one transaction that we did handle for the Department of Trade and Commerce. It was the erection of booths for the Canadian International Trade Fair at Toronto.

Q. Was that the only exception to the general statement you were acting exclusively as agents for the Department of National Defence in this fiscal year?—A. No, we also acted, of course, for foreign governments during that time, and we carried out some stockpiling of some strategic materials on behalf of the Department of Trade and Commerce.

Q. Did you do anything more in your negotiations than deal with the purchase of material? Have you had anything to do with the purchase of services?—A. Yes, we did handle services such as laundry, and dry cleaning, and work of that nature, the removal of refuse from camps.

Q. Is it possible to break down those contracts from the others? Have you any breakdown available now as between the contracts for the purchase of material on the one hand and the contracts for purchase of services on the other?—A. No, our records are not broken down that way. We have a record of every contract awarded but we would not have it broken down that way.

Q. Can you give us any idea? I am trying to project this problem. Can you give us any indication as to the proportion of expenditures which might have gone for materials on the one hand or for services on the other hand?—A. I cannot at the moment. I can get the information for you, but I have not got it at the moment.

Q. I am not asking for exact figures, but I think it would be helpful to have some approximation, if possible.—A. I will be glad to get it for you.

Q. You are dealing with the procedure in connection with tenders. Were all your purchases of materials and services preceded by the calling for tenders?—A. I think I said about 95 per cent, if I remember rightly.

Q. 95 per cent?—A. Yes.

Q. What accounted for the failure to ask for tenders in the case of the other five per cent?—A. There may be spare parts for a certain machine which are only available from one source of supply. It may be due to secrecy. We could not invite tenders on work of a secret nature. It may be a developmental con-

tract or a piece of machinery which National Defence wanted to fit in with a whole lot of other machinery of a certain make.

Q. Can we generalize on these cases? Would you be prepared to say that in all those cases there was only one source of supply, that even if tenders had been called, there would have been only the one source of supply?—A. Yes.

Q. Then it is correct. You would be prepared to say that that was the case in regard to these cases?—A. Yes.

Q. Did you in all the 95 per cent of cases accept the lowest tender?—A. I could not say off-hand. I do not think we did 100 per cent. There would be many reasons why we would not. For example, a company might not quote in accordance with the specifications.

Q. That would make it an invalid tender.—A. Yes, an invalid tender.

Q. I think we can leave out those cases. We know that a tender must be strictly in accordance with the specifications. But were there any other reasons? A. Well, delivery; the delivery offered by the lowest tender might not be satisfactory.

Q. Could you give some indication of the number there were of those cases?—A. I have not got that information with me.

Q. But it is available?—A. Yes.

Q. I think we might ask for a statement of the cases in which, although the tender was in form, in accordance with the specifications, the lowest tender was not accepted, and some indication of the circumstances in such cases, and the reasons why the lowest tender was not accepted. That would leave out any question of the invalidity of tenders, or informality of tenders or such reasons.—A. I might point out that to obtain that information, it would be necessary for us to review all our files and give an explanation as to why the lowest tender was not accepted in each case. That would be quite a task.

Q. Would it involve the review of 84,600 files?—A. No, it would not. But it might involve the review of perhaps 50,000 files.

The VICE-CHAIRMAN: Could you not generalize your question a little, Mr. Fleming, to see if we could not get that information through inquiry?

Mr. FLEMING: Is there any further explanation which you can give us to narrow down the scope of this present question?

The VICE-CHAIRMAN: Can you give us the normal reasons why you would not accept the lowest tender? Could you not give us as many reasons as you can think of?

The WITNESS: As I have said, the specification was one; delivery was another. Then we would come to cases where we would split the tenders. For example, if we were buying 100,000 suits of battle dress, we would go to the lowest tenderer for all that he could deliver in the time required. Then we would go to the second lowest tenderer and negotiate with him for the quantity which he could deliver within the time required; and if we could not get all the quantity from the second lowest tenderer, we would then go to the third tenderer and negotiate with him.

I might say that in carrying out such negotiations it was always done with a view to getting from the second or the third or the fourth tenderer the same price as tendered by the lowest tenderer, the first one; but that was not always possible.

Mr. FLEMING: In those cases do you always endeavour to take from the lowest tenderer the full amount that he can supply?

The WITNESS: That is correct.

Mr. THATCHER: Might I interject on that point, Mr. Chairman?

The VICE-CHAIRMAN: Just a minute.

By Mr. Fleming:

Q. And then you go to the next lowest and take all that he can give you?
—A. That is right.

Q. In other words, you take to the limit of supply all that the lowest tenderer can give you, and then you go in that order, from the lowest tenderer on?—A. That is right.

By Mr. Thatcher:

Q. I was just wondering if Mr. Low's department would ever accept a higher tender as a matter of policy in order to give certain sections of the country the business.—A. No, sir.

Q. In other words, you always take the lowest tender, no matter what part of the country it comes from?—A. Yes, sir.

Q. You make no conscious effort to try to diversify your contracts throughout the country?—A. No, sir.

Mr. FLEMING: It is always a question of price?

The WITNESS: Always a question of price.

Mr. THATCHER: I understood from what the minister said in the House that a specific effort was made.

The WITNESS: Not in 1949-50.

Mr. THATCHER: That has been changed now?

The WITNESS: That is a matter of government policy.

The VICE-CHAIRMAN: He said "not in 1949-50", and that is as far as he can go.

I remember when you asked the question of the Minister of Trade and Commerce. I remember the answer he gave you, that there was a conscious effort made to spread the contracts across the country. I think that was his answer.

By Mr. Thatcher:

Q. In my own province of Saskatchewan—and I do not think I am speaking politically—the Chambers of Commerce, the City Councils, and the editors of the various papers feel that Saskatchewan is definitely being overlooked by the Canadian Commercial Corporation in the way of getting defence contracts. So I would like to know if your department is making any conscious effort to give the outlying provinces, and particularly Saskatchewan, a share of these contracts. That is all I am interested in.—A. In the fiscal year 1949-50, as I have already said, we had a very large mailing list which was prepared under specific commodity headings. Every business which was in a position to quote on those commodities in every province of Canada, was given a chance to tender.

Q. Do you not think that even if a contract might be a little bit, let us say, a few cents higher on something, there are other considerations which might enter into it, such as, the need to diversify your industry and the need to protect your plants from bombing if war should come? Are there not other considerations?—A. You are now asking me for my personal opinion.

Q. Yes.

The VICE-CHAIRMAN: No, no, not here. Mr. Low, the witness, is not here today to give us his personal opinion. He is here to give evidence.

Mr. SINCLAIR: As president of the corporation.

Mr. THATCHER: We have just got the Canadian Commercial Corporation before us. Surely you are not going to stifle this thing before it starts.

The VICE-CHAIRMAN: The witness is here today in his capacity as General Manager of the Canadian Commercial Corporation. He is not here to give us his personal opinion about anything that we are concerned with. If you want a personal opinion, you should get it on the floor of the House.

Mr. THATCHER: I want to get his opinion as president of this corporation. I have asked Mr. Low to answer as president of the corporation.

Mr. RILEY: He has not got any with respect to 1949-50.

Mr. THATCHER: I think I heard the member from St. John express some opinions in the House.

Mr. RILEY: Mr. Chairman, Mr. Thatcher is free to put me on record as having criticized the Canadian Commercial Corporation. But I am very much satisfied with the efforts being made by the Canadian Commercial Corporation to endeavour to direct some measure of government work or contracts to the east.

Mr. WRIGHT: Mr. Chairman!

The VICE-CHAIRMAN: Please let Mr. Thatcher finish. He used the word "stifle".

Mr. RILEY: Do not stifle Mr. Thatcher!

Mr. THATCHER: I would like Mr. Low to answer my question.

The VICE-CHAIRMAN: Will you please re-word your question, Mr. Thatcher?

Mr. THATCHER: Will Mr. Low state now, with respect to this year?

Mr. MACDONALD: Let us stay with 1949-50.

Mr. THATCHER: I think Mr. Low stated that no effort was made during 1949-50 to diversify the contracts in any way.

The VICE-CHAIRMAN: That is right.

Mr. THATCHER: So I am now asking him whether, in his opinion as president of the Canadian Commercial Corporation, it might not be wise, in letting out these contracts, to have other considerations enter into the question, considerations other than simply the price. In other words, would it not be for the good of the country?

Mr. RILEY: Mr. Chairman, I understand that Mr. Low, is the director or the president of the Canadian Commercial Corporation, and that his company is only the instrument whereby the government purchases materials for National Defence; and that until recently they entered into contracts for building and so on.

I do not think that Mr. Low has anything to do with the policy of diversification. Mr. Thatcher knows as well as any member of this committee that the policy or the doctrine of diversification does not rest with Mr. Low.

Mr. BROWNE: Mr. Chairman, who is the witness? Who is giving evidence now?

The VICE-CHAIRMAN: He is just making observations.

Mr. SINCLAIR: And that is a very common practice with Conservative members.

Mr. THATCHER: Does Mr. Low have instructions or is it a matter of government policy, set by the government, that Mr. Low must always accept the lowest tender under all circumstances?

Mr. SINCLAIR: In the year 1949-50.

Mr. THATCHER: I want to know about it at present. Surely we can project it, Mr. Chairman.

The VICE-CHAIRMAN: No, no.

Mr. THATCHER: Well, Mr. Chairman, Mr. Picard has been allowing a lot of latitude, as long as we asked general questions. This is a general question.

The VICE-CHAIRMAN: I think it is a very pertinent question to your province, but I do not think that this is the place for you to get an answer.

Mr. THATCHER: Well, in the House they always say: "Ask Public Accounts".

Mr. SINCLAIR: I would like to bring out this point: That in 1949-50 the Canadian Commercial Corporation was a very small group with only 25 employees. That was, of course, pre-Korea. But since Korea, we have had an enormous advance in defence spending, and a special department has been set up for the purpose. Mr. Low is here to describe the activities of his corporation for 1949-50, the year before Korea. So I do not think it is fair to Mr. Low and to the members of this committee to try to go into matters connected with the Department of Defence Production which was set up by parliament since that time.

Mr. WRIGHT: Mr. Chairman?

The VICE-CHAIRMAN: If you do not mind, Mr. Wright, I am trying to give Mr. Thatcher his day in court.

Mr. Thatcher, if you would word a question for the witness that he could possibly answer, I would allow it. He is here today to give answers, or to give information but not to project himself into 1950-51.

Mr. THATCHER: Mr. Chairman, Mr. Picard has followed a policy of permitting general questions involving a certain amount of projection. I would like to know if the policy has been changed in order to give some of these outlying provinces a certain amount of these defence contracts? Of course, if the prices are away out of line, that would not be sensible; but if they are reasonably close, I would like just a general sort of answer.

Mr. KIRK (*Antigonish-Guysborough*): How far afield do they go when they advertise tenders in various sections of Canada? Would a contract for Nova Scotia be advertised, let us say, in central Canada?

The WITNESS: That was the practice in advertising for tenders. That was done in all cases of construction projects in excess of \$5,000 in value. The practice was to advertise in the *Canada Gazette*, in the *Daily Commercial News and Building Record*, and in the local papers, that is, in the community where the work was to be carried out.

Mr. KIRK (*Antigonish-Guysborough*): If you are doing a job in Halifax you advertise in Ottawa, Toronto, Winnipeg and Vancouver—those places?

The WITNESS: It would be advertised in the *Canada Gazette* and the *Daily Commercial News and Building Record* which is available to contractors all across Canada.

Mr. WRIGHT: The witness stated that they had 13 agencies for the letting of contracts.

The VICE-CHAIRMAN: District offices.

Mr. WRIGHT: Yes, district offices. Where were those offices situated?

The WITNESS: I have a record of them here.

Mr. RILEY: Is that 1949-50?

Mr. WRIGHT: Yes.

Mr. SINCLAIR: Here they are?

The WITNESS: I have them here: St. John's, Newfoundland; Halifax, Nova Scotia; Quebec City; Montreal; Ottawa; Toronto; London; Winnipeg; Regina; Calgary; Edmonton; Vancouver; and Victoria, B.C.

Mr. WRIGHT: Can you give us a breakdown of the contracts let during that year out of those various offices?

The WITNESS: That would be by dollar value?

Mr. WRIGHT: Yes.

The WITNESS: I am afraid I have not got the information.

The VICE-CHAIRMAN: Is it possible to get it?

The WITNESS: Oh, yes, it is possible to get it.

By Mr. Wright:

Q. Later, the witness stated that tenders were called 'f.o.b. delivered'. Now, having these tenders filed f.o.b. delivered would mean there would be some of this material required at Halifax, and there would be some of it required in British Columbia. What was your practice with regard to firms who might have the advantage of the freight rate—which would be considerable—in filing these contracts?—A. Freight was considered part of the laid down cost.

Q. Part of the laid down cost?—A. Yes.

Q. Therefore, firms from British Columbia tendering on contracts in the east here would certainly be up against pretty stiff competition in the freight they would have to pay?—A. That is correct, but on the other hand, they would have the advantage of goods going to the British Columbia area, or Esquimalt.

Q. But by far the largest portion of the goods you would order would be for use in central Canada?—A. Yes, that would be correct, sir.

Q. Therefore, firms situated here would have a distinct advantage over firms in other parts of Canada?—A. Not in every case; in many cases it would be true.

Q. In the majority of cases it would be true. It seems to me that some consideration should be given to that fact. Your corporation did not give any consideration to that fact during the year 1949-50?—A. That is correct. We bought on a strictly competitive basis.

Mr. THATCHER: Surely that was discriminatory to the maritimes, the prairies, and British Columbia, Mr. Chairman? The freight rate and everything else entering into the picture—it is not a fair way to let those contracts.

Mr. CAMPNEY: What is wrong with it?

By Mr. Fleming:

Q. I do not know whether Mr. Low has completed his statement on the factors which caused the corporation in some cases to depart from the ordinary rule of accepting the lowest tender. Are there any other circumstances that you recall?—A. Yes, I do recall some cases where we received tenders from companies which really were not in a position to carry out the work. By investigation we found a company was not in a position to carry out the contract or supply the goods they had tendered on at the price tendered. In that case they were given the opportunity of withdrawing the tender.

Q. Were there many of those cases?—A. One I recall at the moment.

By Mr. Sinclair:

What sort of a bond do you ask?—A. In this particular case there was no bond; it was a competitive tender on clothing.

Q. Would not a bond do away with that sort of useless tendering?—A. In this case I am sure it would not have had any bearing. We had received many tenders but this one was so much lower than the others that we decided to investigate. It was an unknown company and we sent two of our follow-up men down to the plant. They examined the premises and came back and said that the firm was not in a position to carry out this contract. In spite of that we had them make up some sealed samples but those were rejected by the inspection service. The company was not in a position to do the job.

By Mr. Fleming:

Q. There was only one of those cases?—A. Only one that I recall at the moment.

Q. If there were any others you could find that out without too much trouble?—A. Yes.

Q. Were there any other circumstances which might lead to departure from the ordinary rule?—A. Not that I recall at the moment.

Q. I do not want to ask you to embark on an investigation that might not be necessary but would you consult your advisors, Mr. Low, and if there were other reasons than those you have given would you tell us at a later meeting and be prepared to give us the circumstances of the cases?—A. Yes, sir, I would be glad to do that.

Mr. FULTON: Mr. Low just said in the case of the contracts he was referring to that there was no bond required. Is that the usual practice? Do you usually require the posting of a bond?—A. Only on construction contracts. We require a bond on construction contracts and there have been a few other cases—I do not know whether they apply to this fiscal year—where we were in doubt about whether a firm could carry out the contract, and regardless of the type of stores involved, we asked for a bond—if we had any doubt about the capability of the firm. There were very few of those cases.

Mr. FRASER: Would you ask for a bond in the case of tenders for purchase of property?

The WITNESS: We do not purchase property, Mr. Chairman.

Mr. FLEMING: What was the nature of the bond? Were they fidelity bonds?

The WITNESS: No, Dominion of Canada bonds, certified cheques, or bonds of the Canadian National Railways.

Mr. FULTON: You say that your practice during this year at any rate was to require bonds only in the case of construction contracts?

The WITNESS: In general, that is correct, sir.

By Mr. Fleming:

Q. Now can we break down your corporation's operations with a view to getting a clearer bird's eye view? You were purchasing services; you were purchasing materials; and you were also entering into construction contracts. Would that completely state the scope of your work?—A. Yes—all materials, supplies, foodstuffs, and construction contracts. I do not think we did any shipbuilding that year—perhaps there were one or two instances; but generally speaking, our purchases covered guns, ammunition and the general range of requirements of the Department of National Defence, with the exception of lands and buildings and things of that nature.

Q. That could be fairly well broken down into those three categories—services, materials, and construction contracts?—A. Yes, including supplies.

Q. Now we come to the further question on calling for tenders?

Mr. SINCLAIR: May I interrupt you for a moment? You say guns and ammunition, Mr. Low. How do you divide that with Canadian Arsenals?

The WITNESS: At that time we looked to Canadian Arsenals to quote on anything we required, in this category, I do not believe new guns purchased during 1949-50. Ammunition requirements were supplied by Canadian Arsenals.

By Mr. Riley:

Q. Would you not enter into contracts for the purchase of guns and ammunition?—A. Oh, yes, sir. We would.

Q. On behalf of Canadian Arsenals?—A. No, with Canadian Arsenals. Canadian Arsenals were looked upon by us as a contractor and we would negotiate a deal with Canadian Arsenals just the same as we would any other company.

Q. Is that the same arrangement you have with the Maritime Commission when you enter into shipbuilding contracts?—A. No, that is a different proposition. Canadian Arsenals were manufacturers. They manufacture ammunition. The Canadian Maritime Commission advise us as to the sources of supply in connection with ship building. They would indicate to us the yards which were in the best position to carry out the construction of vessels.

Q. And on those contracts, to clear up Mr. Thatcher's point of a while ago, your corporation does not formulate any purchasing policy of its own?—A. No, the policy we followed was formulated in 1939—

Q. And from where do you get direction as to the overall policy you follow?—A. From the minister or the deputy minister of Trade and Commerce.

Mr. THATCHER: Mr. Low has indirectly answered the question I asked when he says that the policy was formulated in 1939. My only comment would be that surely, in view of changing circumstances, that policy should be changed to help diversify industry.

The VICE-CHAIRMAN: Mr. Low said it was changed.

Mr. THATCHER: But he just said it was formulated in 1939.

The VICE-CHAIRMAN: He is not projecting himself into 1950-51.

By Mr. Thatcher:

Q. Then I would ask him to amplify that?—A. I was talking about the fiscal year under review, and said that our policy was laid down in 1939. We started on this purchasing policy then.

Q. You would not care to state how you have modified it now?—A. Mr. Chairman, perhaps I might say that Canadian Commercial Corporation has no longer the responsibility for purchasing for the Department of National Defence. That is now the responsibility of the Department of Defence Production and I feel that any questions like that should be answered by the deputy minister of that department.

Q. You mean Mr. Drury?—A. No, Mr. Mackenzie, deputy minister of the Department of Defence Production.

Q. We will try to get him here because I still want to know why we are not getting any contracts in Saskatchewan.

By Mr. Wright:

Q. The witness stated that they followed the policy as laid down in 1939 up until 1949?—A. With certain refinements.

Q. Can you give those refinements, because it seems to me during the war you purchased everywhere that you could get material?—A. That is right.

Q. Since the war that policy has certainly been refined from what it was during that period. Can you give us the refinements and when those refinements took place?—A. I should qualify my statement by saying the policy we follow with respect to inviting tenders, the maintenance of the mailing list and the wide distribution of tenders was laid down in 1939. It has been followed right through, including the fiscal year under review. It was quite true that during the war years it was not always possible to invite tenders but in those cases where it was possible the policy laid down in 1939 was followed.

Q. There was considerable diversification, considerable spreading of the different contracts during the war, as a result of the fact that you could not get the contracts filled in certain places and you had to extend the area over which you were obtaining materials. For instance, there was a considerable number of

contracts in western Canada during the war, but immediately after the war those contracts were dropped or the contracts were filled by firms which were closer to the center of Canada.

Mr. ROBINSON: What contracts are you speaking of?

Mr. WRIGHT: Well, contracts for gun barrels—

Mr. THATCHER: Aircraft?

By Mr. Wright:

Q. Yes, and repairs to aircraft. There were a great many other contracts fairly widely distributed during the period of the second world war. After the war, of course, there was not the same requirement and it was natural that those requirements were filled probably more cheaply in the central parts of the country. Certainly it seems to me that there was refinement or change in policy. Maybe it was just contraction, but that contraction certainly operated against industries that had been established in certain sections of the country during the war.—A. Well, yes, I was confining my remarks to those cases where we invite tenders. It is quite correct that during the war years we could not buy everything by means of competitive tender, although we did buy tremendous quantities of stores by that method. The types of contract you have in mind could not be awarded by competitive tender.

Q. There was no general change in policy during that period.—A. Not with respect to inviting tenders.

Mr. THATCHER: The parliamentary assistant of defence production says that he could clear this in thirty seconds. I would like to hear that; would anyone object to it?

Mr. RILEY: This is the Public Accounts Committee.

Mr. SINCLAIR: Well, he is a witness.

The VICE-CHAIRMAN: He could be a witness. We would be setting a very dangerous precedent, Mr. Thatcher, if we permit people who are not witnesses to make statements, much as I would like to hear him. Ask him the question in the House.

Mr. SINCLAIR: I hate to see the calling of a witness being denied.

The VICE-CHAIRMAN: Well, give him notice now, and ask him this afternoon.

Mr. BROWNE: The witness stated that 95 per cent of the contracts were issued on tender, and 5 per cent without tender; in regard to value could he give the percentage?

The WITNESS: I am sorry, I have not got the value.

Mr. BROWNE: Would it be possible to make a list of the contracts that have been given out without calling for tenders, say, those over \$100,000.

The WITNESS: Unfortunately it would require reviewing our contracts. We have not got them segregated in that manner.

Mr. HARKNESS: In connection with that point, I think you said about 25 per cent of your purchases being by tender—

The WITNESS: No, 95.

The VICE-CHAIRMAN: Yes, I made a note of that.

Mr. HARKNESS: That is why I was wondering about 25, as I heard it to begin with.

The VICE-CHAIRMAN: No, I made a note of that. It was 95 per cent.

(The Chairman, Mr. L. Philippe Picard, now being present assumed the chair).

By Mr. Browne:

Q. Would the total amount of that 5 per cent run into a large amount of money, or would they be just "accidental" contracts, let us say?—A. No; I can recall one or two substantial contracts on which tenders were not invited.

Q. Could you give a sample?—A. Yes, the construction of the F-86 fighter by Canadair.

Q. That ran into millions.—A. That is right.

Q. Is there another one like that with A. V. Roe.—A. No, the A. V. Roe contract was awarded long before this fiscal year, but there would be other types of contracts mostly in the aircraft overhaul and repair field where certain companies specialized in overhaul of particular makes of aircraft.

By Mr. Fulton:

Q. Why did you depart from the practice in the case of Canadair—the practice of letting contracts on tenders?—A. Well, it was felt that the company had the best facilities to produce the F-86 fighter; in other words, there would be a tremendous saving to the Crown as we would not have to provide the same amount of capital assistance to the company as we would to any other company in Canada to produce that aircraft.

Q. The granting of capital assistance would not come under your corporation?—A. Oh, yes sir.

Q. Do you make the actual grants of capital assistance?—A. The money is provided by the Department of National Defence. They send us a contract demand for the production of the aircraft, and also provide funds for the capital assistance and for the tooling at the same time.

Q. Do you require the companies to give you an estimate of the amount of capital assistance they require before they undertake the contract?—That is correct.

Q. Did you in this case survey the aircraft production field and get estimates from other companies as to how much they would need?—A. We did not investigate other companies. We had full knowledge of all other companies in the aircraft business at that time.

Q. You just, then, let it to Canadair? What was their estimate of the capital assistance they would require? —A. I am afraid I have not the information here this morning. I can get that information.

By Mr. Fleming:

Q. I suggest that you bring your file as there may be other questions that will arise out of it. You were speaking earlier about the method of calling for tenders; you spoke about advertising in the *Canada Gazette* and then some local advertising in the area in which the project was to be constructed. Did you advertise for tenders in all cases in the *Canada Gazette*?—A. In all cases of construction.

Q. What about the purchase of materials?—A. It has not been our practice to advertise for tenders with respect to materials.

Q. What was the basis on which tenders were invited with respect to purchase of materials?—A. By maintaining a mailing list of all companies in Canada who asked for an opportunity to tender, and also those who were known to us to be able to provide the stores and services. It has been constantly revised to ensure we get the broadest possible competition.

Q. Is it open to any potential supplier to be put on the list?—A. Yes, it is open to anyone.

Q. Were there any cases where anyone has applied to be put on the list and has not been put on it?—A. Not that I can recall. Any company that has asked to be put on the mailing list, we have put on the mailing list.

Q. You are making that as a statement of fact, and not merely from your recollection?—A. Yes.

Q. One question about calling for tenders to Canadian Arsenals; were contracts let to Canadian Arsenals on a strictly competitive basis?

The CHAIRMAN: What do you mean by that?

Mr. FLEMING: We had some questions about Canadian Arsenals a few minutes ago, about the awarding of contracts to them, and this is to clear up a point which was left in my mind by the answer.

The CHAIRMAN: You mean they asked from different companies including Canadian Arsenals.

By Mr. Fleming:

Q. Yes, the witness said Canadian Arsenals, so far as Canadian Commercial Corporation was concerned, was treated as an outside contractor.—A. Yes, that is correct. Where other companies could tender Canadian Arsenals would bid competitively.

Q. When you say "some other companies", you are speaking of Canadian companies.—A. Oh, yes.

Q. You are not bringing into this account any question of purchases abroad?—A. No, sir.

Q. Did your corporation make purchases abroad?—A. Yes, it did, in the United Kingdom and the United States.

Q. What was the policy that you were required to follow with respect to purchases abroad in relation to supplies, commodities, available in Canada.—A. Generally speaking, sir, the stores we required were not available in Canada, and it may have cost many thousands of dollars to set up sources.

Q. You used the word "general"; were there any cases where purchases were made from the United Kingdom or the United States, or anyone else, of goods that were available in Canada.—A. I would have to go into that; I have not got the information. Perhaps we may have called for tenders. I can recall cases where tenders were invited and the Canadian prices were so much higher it precluded them from obtaining the business.

Q. I suppose you did advertise for tenders, and you had Canadian tenders, and we will say American and sometimes U.K. tenders.—A. That is true.

Q. What would happen in a case like that? What would be the rule you would follow to determine the breaking point where you might depart from the rule of accepting the lowest tender, for the purpose of keeping the business in this country?—A. I believe—I would have to look up the records—we were paying a 10 per cent premium to obtain goods manufactured in Canada. In other words, if a Canadian company quoted 10 per cent higher than U.K. or United States he would get the business; beyond that we would place it with the U.K. or the United States.

Mr. FULTON: That was really to offset—

The WITNESS: Yes.

By Mr. Fleming:

Q. Is that the only differentiation in the treatment of Canadian tenderers and tenderers from abroad?—A. That is right.

Q. In other words you are quite prepared to accept tenders in any of these cases, whether for construction projects or supply of materials or services, from suppliers abroad if they could meet the competition of Canadian tenderers plus 10 per cent.—A. No, it was never our practice to advertise for construction work in the United States.

Q. I am not speaking about the place where you advertised. If you got tenders from abroad, is that the only basis on which you differentiated your treatment of Canadian tenderers and tenderers from abroad.—A. That is right.

Q. Did you do any advertising abroad?—A. No, sir.

Q. You never did any advertising apart from what you have mentioned—*Canada Gazette* in the case of construction contracts, or lists of suppliers in the case of goods, and then we come to the question of services: let me ask you a question—

The CHAIRMAN: You are overlooking his further statement that he advertised in the local papers, in the location where the work was being done.

Mr. FLEMING: I touched on that earlier; he said that applied to construction, but not to the contracts for supply of materials.

Mr. SINCLAIR: And in the trade papers as far as construction is concerned.

The WITNESS: Yes, I think they call it "The Daily Commercial News and Building Record".

Mr. FLEMING: That was clear from the earlier answer, that was applied to construction projects.

By Mr. Fleming:

Q. Now, dealing with these lists, could any tenderer or would-be supplier from abroad get on these lists that you maintain for the purpose of purchasing materials?—A. No, I do not think we would have any, or many, foreign companies on our mailing list. I cannot think of any except in special cases where goods are obtainable only from abroad.

Q. In other words, so far as materials are concerned your mailing list upon which you principally rely was a list of Canadian suppliers?—A. That is correct, sir. Canadian agents would be included on that list, of course, Canadian agents of American and United Kingdom suppliers.

Q. May we take it then that you never advertised abroad?—A. That is correct.

Q. In respect of either construction projects, materials or services?—A. That is true.

Q. And now we have had a complete statement of the type of advertising that you carried out in search of tenderers for any of these goods, services or construction projects that you were acquiring for the government?—A. Yes.

By Mr. Fulton:

Q. If goods you were looking for were not available in Canada did you always insert an advertisement and wait for an answer, or did you in some cases decide on your own initiative that this type of supplies was not available in Canada and therefore you had to look to the United States or the United Kingdom for them?—A. No, these were not advertised. We are dealing now with supplies rather than construction. We would do that by means of invitations to tender, widely distributed, and, of course, the tenders would come in, and included in them would be tenders from Canadian agents of United Kingdom and United States firms.

Q. That is what I was wondering about. You always invited tenders, and it was only if you found out that there were no Canadian suppliers or that the Canadian agents of an American company were the only persons who answered that you took the supply from an American source?—A. It may be, or if the Canadian prices were too high.

Mr. SINCLAIR: Could you give us a specific example?

By Mr. Fulton:

Q. May I ask one more question? What you are saying in effect is you never made your own decision that this material could not be obtained in Canada and therefore went looking outside for it? The decision was always made as a result of invitations to tender.—A. Yes, sir.

By Mr. Sinclair:

Q. Could you give us an example of one of these things that Mr. Fulton is talking about?—A. Unfortunately I have not an example with me.

Q. I am not talking about a contract, but a type of material not available here but which was available in the United States.

Mr. BROWNE: In the list of contracts here in Public Accounts there is a supplier named Willys-Overland Motors in Toledo, Ohio. That is probably an example.

The WITNESS: Yes, where we purchased parts that we could not obtain in Canada and had to go to the United States for them.

Mr. FULTON: I would like to ask a series of questions arising out of the reports that were filed at the last meeting, but as these have not yet been published I will have to defer my questioning on them.

The CHAIRMAN: I think we should wait until that list is printed, and later the officials will have the answers and material available.

By Mr. Pearkes:

Q. Did the corporation purchase considerable quantities of coal in the year in question for the naval establishments on Vancouver Island?—A. I am sorry, sir, I did not get the first part of the question.

Q. Did the corporation during the year under question purchase considerable quantities of coal for the naval establishments on Vancouver Island?—A. Yes, sir.

Q. I think the purchases ran somewhere to 10,000 tons?—A. Yes, sir, they did.

Q. In the main that was purchased from Alberta, is that correct?—A. I am afraid I will have to look up the file. I have not got it with me.

Q. I think that actually from the figures I got from the return to the question I asked, over 10,000 tons were purchased from Alberta and only about 500 tons were purchased from the coal mines on Vancouver Island. From the information that I received the price that was paid for the Alberta coal was higher than the tender made by the Vancouver Island coal people. Now, I would like to receive an explanation as to that, and I would like to know whether the B.T.U. was taken into consideration, and whether it was ever considered that delivery of the coal could be made direct from the mines or rather, shall I say, purchased directly from the mines, from the colliery companies, rather than working through agents and thereby avoided the middle man's fees. And another question perhaps you could answer: was it ever considered, were the proposals ever considered of delivering by scow direct to the naval establishments rather than by delivering to Victoria and having it trucked out to the naval establishments from Victoria?

The CHAIRMAN: That could be taken as a notice?

The WITNESS: I shall get the answers.

Mr. PEARKEs: Oh yes, I would like a full explanation, because I might say there is much dissatisfaction in connection with that amongst the coal miners in the island collieries, and around Nanaimo, that these contracts for coal to be used on Vancouver Island were let to coal mines in Alberta where the coal had to be moved by rail to Vancouver and then shipped across to Victoria.

By Mr. Wright:

Q. You stated in the year 1949-50 there were something like 84,000 contracts having a total value of \$221,538,679. What is the dollar value of those contracts for supplies from the United States and from Great Britain?—A. I think I have that here. The value of purchases made in the United States

during the fiscal year 1949-50 was \$3,537,206.90. During the same period the value of contracts awarded in the United Kingdom was \$4,865,439.36.

Q. Were those the only purchases made outside of Canada?—A. Yes, sir.

Mr. FLEMING: Every other cent was spent in Canada?

The WITNESS: Yes, sir.

By Mr. Browne:

Q. Mr. Chairman, the witness stated that in all cases of construction projects tenders were called. I understand from the previous witness we had that in the case of the Peace River bridge, which cost \$415,000, no tenders were called for.—

A. In all cases where it was possible to do so we invited tenders on construction projects but in some cases it was not possible, in cases of small repair work, for instance, where there were no specifications or plans available, on work of that type we did not call tenders. In the case you speak of, the Peace River bridge, there was no invitation to tender.

Q. Why?—A. Because of the remote location of the bridge. To do so it would have been necessary to employ engineers to examine the bridge and prepare a specification. If I remember rightly the work had to be done very very quickly, and time was a deciding factor there. I would have to look up the file to get all the information.

Q. I wonder if you could do that?—A. Yes, sir.

By Mr. Riley:

Q. Mr. Low, in your district offices there is a minimum figure over which you start calling tenders? What is that figure?—A. No, there is no set figure for the inviting of tenders.

Q. There is some discretionary power in the hands of your district representative?—A. That is correct, sir. If something is very urgently required he may obtain tenders by telegram or telephone instead of a formal document.

Q. Would he have to obtain tenders say if you wanted to buy a thousand dollars worth of groceries for a defence establishment?—A. Yes, on groceries, tenders are automatically invited.

Q. All by tender?—A. Yes, sir.

Q. Are there any instances where he is allowed to purchase without calling tenders?—A. Yes, if something is urgently required he might obtain prices by telephone instead of inviting sealed tenders in the regular way.

Q. Is he given specific instructions about cases where he can?—A. Yes, sir, in cases of emergency and so on, and in cases of up to \$250 he does not invite sealed tenders, that is, go through all the formal routine of inviting sealed tenders. They have a special form that they use that is more of a bid form asking the local companies to quote prices.

Q. Let us take your district office, say, in Saint John. If your representative there is responsible for the purchase of goods and services for the Department of National Defence in the New Brunswick area, will he go beyond the borders of New Brunswick in his call for bids?—A. Oh, yes, very often.

Q. Would it be possible, for those goods and services which are purchased for one particular area, to have the bids confined to that area?—A. Well! Our policy is to invite tenders from as many companies as possible in the area to obtain competition. The answer to your question depends on the Department of National Defence set-up; in other words, if they have an establishment which covers more than one province, then our district purchasing agent in one province may handle the whole requirement.

Q. In respect to these requisitions coming from National Defence, does your district representative in the province, or in the field, take directions from the

National Defence personnel as to what type of commodity is most preferred by them, or with respect to the type of services which they would prefer to have?—A. Yes, sir; it is stated in the requisition, the type of commodity they require, and what they would prefer if they have any preference.

Q. Would the commanding officer of a military area be able to reject bids which were sent in from companies in that area, on a discretionary basis?—A. No, not unless it was necessary to send all tenders to the commanding officer for technical approval. In most cases, in practically all cases, specifications are provided to our district purchasing agent, he invites tenders in accordance with those specifications and he awards contracts to the companies which quote the lowest prices.

Q. Irrespective of communications he might get from officers of the defence personnel?—A. Quite correct.

By Mr. Fraser:

Q. I think Mr. Low mentioned the fact that there are 84,600 contracts. Could he list for us the number of contracts under \$5,000, the number between \$5,000 and \$15,000; and could he give us the different categories of the contracts from \$15,000 up?—A. Yes, sir.

The CHAIRMAN: That can be supplied at a later meeting.

Mr. FRASER: You would be able to get that information for us?

The WITNESS: Yes sir.

By Mr. Fleming:

Q. Coming back to this list of your material suppliers, was it available for the offices of all the thirteen district purchasing agents?—A. Yes sir.

Q. What were their instructions? How far afield would they go in inviting tenders?—A. Each district office maintains its own mailing list. Each division of the general purchasing branch here in Ottawa also maintains its own mailing list. And then, we have in addition a master mailing list which includes all the mailing lists which are maintained by the different offices.

Generally speaking, the district purchasing agent in Victoria would not come to the east to buy stores. I might explain that the main function of the district purchasing agents is to buy foodstuffs for the camps in their areas, and also to buy goods which are urgently needed by National Defence. All the other larger contracts are awarded here in Ottawa.

Q. And those awards in Ottawa are based on your master list?—A. That is correct.

Q. Would that master list include all the names on the local lists of the thirteen district purchasing agents?—A. Yes sir.

The CHAIRMAN: Would it not include also the principle that small quantities when required, for example lumber and wood for heating purposes, might be purchased?

The WITNESS: Yes; it includes anything.

By Mr. Fleming:

Q. And coal?—A. Yes sir.

Q. Would the case which General Pearkes mentioned be handled at Ottawa or through the local purchasing agent in British Columbia?—A. It was handled here in Ottawa.

By Mr. Thatcher:

Q. But would not all of these purchases now be handled by the new department?—A. That is right.

Q. Can you tell us if in the year under discussion your department did any stock-piling at all for the department?—A. Yes sir, we did some for the Department of Trade and Commerce.

By Mr. Fleming:

Q. You stock-piled butter. That is one thing.—A. Not in that fiscal year.

Q. No?—A. That was the year before.

By Mr. Thatcher:

Q. Could you tell me the products of nature of the goods you stock-piled? Were they raw materials?—A. Raw materials, yes, largely.

Q. Wool, for instance?—A. No wool.

Q. Then what?—A. Tin, antimony; mainly tin and antimony.

Q. You have not got any details of that?—A. No.

Q. Perhaps you could give them to us at the next meeting.

Mr. FLEMING: And when you do, we would like to know to what extent that material is still on hand. Or, has it been let out of your corporation reserves since?

The WITNESS: I can answer you now. It is still on hand.

By Mr. Fulton:

Q. Could Mr. Low provide the committee with some of the directives issued to your local purchasing agents as to what practice they will follow in connection with tenders?—A. Yes sir.

Q. I am thinking of the answer you gave to Mr. Riley.—A. This book contains them. This is the manual. Each official is provided with a copy of this manual, which lays down the rules and regulations.

Q. That is a fairly bulky book. I shall not ask you to table it; but would it be possible for you to produce three or four directives which would give us in effect an outline of the instructions?—A. Yes sir.

The CHAIRMAN: I think we might ask an officer of this corporation to draft a short summary to give us a general idea of the kind of instructions sent out. That would give us a better picture than to have only one. We may include one, if you insist; but I think a summary could probably be drafted which would give us a general idea, without going into all the details, of course.

By Mr. Fulton:

Q. Could you give us an outline? Is it possible for you to give us an outline of the principles which are followed in determining whether a matter will be handled at Ottawa or whether it will be decentralized to your local purchasing agents?—A. Well, yes. Generally speaking, the requisitions handled in a district office come from the command officer of that area. They are what we call local requisitions.

The officer commanding a certain camp will requisition on our district purchasing agent in that locality. However all requisitions for foodstuffs would be filed with the corporation here at Ottawa, and we send them out to our district purchasing agents across Canada.

Q. You referred to a coal transaction which General Pearkes mentioned. On what principles would the decision be made that that matter would be handled from Ottawa rather than handled locally?—A. That would form a small part of our annual requirements for coal, all of which are dealt with in Ottawa.

Q. Have you then a list of certain commodities which must be dealt with through Ottawa?—A. No, sir.

Q. It just depends on the individual circumstances?—A. That is right.

Q. Could you give us a short statement of the general principles which govern you in deciding what commodities should be handled centrally?—A. Yes, sir, we can do that.

By Mr. Riley:

Q. Mr. Low, what steps do you take in respect of your field offices to prevent that practice which is known south of the border as "5 percenting"? Do you have a check against that?—A. By means of competitive tenders. You are talking now of our district offices?

Q. Yes?—A. I may say that we have two independent inspectors, one in eastern Canada and one in western Canada, whose duties are to go in to each district office and examine their files and make sure that everything is in order.

Q. Have you had any complaints about that practice in any of your district offices?—A. No, sir.

By Mr. Fleming:

Q. May I ask a couple of questions generally about the way that the system has worked out? Have you been satisfied with the way that the system of purchasing has worked out?—A. You mean the competitive tendering system?

Q. Yes, and I am speaking of the system in general. You can break your answer down if you wish?—A. Generally speaking, I am satisfied.

Q. Just following up your last answer to Mr. Riley, have you had any complaints about the way the methods of purchasing have been carried out generally by the officials and employees of the corporation, or by the local offices or your head office?—A. No, sir.

Q. You never had a complaint?—A. Not that I can recall.

Mr. THATCHER: You must have had a complaint from the Saskatchewan government?

The WITNESS: I think the question is whether we have had complaints about procedures and purchasing policy.

By Mr. Fleming:

Q. I will leave the question of territorial allocation to Mr. Thatcher. What I am getting at is the question of complaints received from the public, or anyone else—from contractors, or suppliers, or anyone else, as to your procedures—first of all, as to whether they are sound and fair procedures, and secondly as to whether there have been departures from them?—A. I cannot recall receiving any complaints of that nature.

Q. When you say you cannot recall I have to ask you to look up the records and give a complete answer at a later meeting.

By Mr. Nowlan:

Q. With respect to complaints, what is the procedure about making available plans and specifications for construction projects?—A. Usually we charge for plans and specifications. There is a deposit required of \$25—or it may be more depending on the plans and specifications. The contractor has to make a deposit of \$25 in order to get a set of plans and specifications and that \$25 is returned to him when he returns the plans and specifications in good condition.

Q. How many plans and specifications are available?—A. Well, it depends on the nature of the job. Of course, plans and specifications are prepared by the Department of National Defence and they would ask our people what they thought would be necessary, how many copies of plans and specifications would be required. The answer may be 25 or 50 sets, but more can be run off if more are requested.

Q. Have you not had complaints from tenderers who were unable to get copies?—A. I beg your pardon?

Q. Have you not had complaints from tenderers who were unable to get copies of plans and specifications?—A. There may have been but I cannot recall any such complaints. The plans and specifications are also on display in the Builders Exchange in the locality of the project so that a contractor may look at the job and decide whether he wants to tender.

Q. I am thinking particularly of sub-contractors. How many copies of plans and specifications would be available for subcontractors who might ask for them?—A. They would get them from the prime contractor who would get them from us.

Q. He would get them from the prime contractor, but the prime contractor would have a limited number?—A. He can go over the plans in the Builders Exchange.

Q. They would be available to him there?—A. Yes.

Q. Well, I have in mind cases of local subcontractors in Nova Scotia who cannot get plans and yet contractors in Ottawa always have plans available and can tender on them. I was wondering what your comment would be?—A. Well, plans and specifications are made available to all prime contractors who ask for them, and, of course, it is their responsibility to provide them to the subcontractors.

Q. Well, they say that the time is very short for the figuring they have to do themselves and the subcontractor has no chance.

Mr. MACDONALD: The witness cannot speak on construction. You are not in construction and I believe Mr. Nowlan's question does not refer to the year under examination.

Mr. SINCLAIR: More than that, there has been a great change in the practice.

Mr. THATCHER: This is a projection which the chairman has been gracious enough to allow.

The CHAIRMAN: We have not yet been able to appreciate the significance of this and, as I have not the details, I assume Mr. Nowlan's question applies to 1949-50. I will take his word for it.

Mr. SINCLAIR: Well, is this a fair question? Since this has been handled by the Department of Defence Production there has been a change in the policy as far as subcontractors are concerned? And what you are referring to is the policy you carried out in 1949-50 when you had relatively few construction projects?

The WITNESS: Yes.

By Mr. Fleming:

Q. What was there in your practice that has led to departure since?—A. I might say that Canadian Commercial Corporation was not responsible for carrying out construction projects after November of last year, I think it was. I do not know what changes have taken place since that time—I have no knowledge.

Q. Mr. Sinclair has referred to a change in the method and I was wondering what was in your method that has led to change or departure from it?

Mr. SINCLAIR: It was not their method—it was this matter of getting things spread around the country to subcontractors.

Mr. FLEMING: That is again the territorial allocation.

Mr. SINCLAIR: Partly.

By Mr. Fleming:

Q. Your answer to Mr. Nowlan has reference to construction contracts?—A. Yes.

Q. What about specifications for materials?—A. Specifications for materials are sent out with the invitation to tender to different companies. They are not so bulky.

Q. You would not have plans in the ordinary case with them. It would be done by written specifications?—A. Yes.

By Mr. Fulton:

Q. Mr. Low, did Canadian Commercial Corporation have charge of the awarding of contracts for consultants. I am thinking of such things as on page N-24 where consultants fees are shown for a number of projects. Did you determine, for instance, who would be the architects?—A. Yes, sir, in consultation with the Department of National Defence.

Q. What procedure did you follow in those cases?—A. We tried to select the architect or consultant nearest the location where the work was being carried out—a man who had the necessary ability to carry out that particular work.

Q. So would it be correct to say that you did not ask for tenders for consultants?—A. No, sir, we did not ask for tenders for consultants. Their fees are all standard fees and we select a consultant in the area where the work is to be carried out.

Q. Did you have available a list of those men and treat each case separately?—A. We were building up a list when this work was transferred. We had a book which was published I think by the Royal Architectural Institute of Canada.

Q. Did you consult that book?—A. Yes.

By Mr. Thatcher:

Q. I wonder if Mr. Low would state whether in many cases in the Canadian Commercial Corporation the matter of cash discount enters into the picture?—A. Yes, sir, indeed.

Q. You save substantial amounts by taking cash discounts?—A. Yes. We reviewed that situation some time ago and we found we could not take advantage of cash discounts under 2 per cent thirty days. If a man quoted us 2 per cent ten days it was almost hopeless because, by the time the stores reached the destination, were inspected and the receipt voucher came back to the Treasury officer the ten days had expired. The last review we made of it three or four years ago indicated that we were able to take advantage of 90 per cent of the cash discounts—2 per cent thirty days or longer.

Mr. RICHARD (*Ottawa East*): Do you take 1 per cent?

The WITNESS: Oh, yes, sir.

By Mr. Fraser:

Q. Mr. Low said they take advantage on inspection services of anyone in the district but on page N-35 you have a firm Milton Hersey Company, Limited, employed in Prince Edward Island, and then the same firm was employed as inspectors in Manitoba.—A. Sir, I was not dealing with inspection.

Q. I thought you were?—A. No, I am sorry. We were dealing with architects.

Mr. RILEY: Architects do not give you cash discounts.

Mr. FRASER: It would be the same thing.

The WITNESS: Milton Hersey Company Limited are chemical engineers. They are not in the architectural business.

Mr. RILEY: Have you ever been able to obtain cash discounts from engineering firms or other professional people?

The WITNESS: No, sir.

By Mr. Fleming:

Q. I would like to follow a little further your answer about the basis on which you consulted persons or firms who were to render a service, not including materials; obviously that was done on a selective basis. Now, the only basis you have indicated was that the individual or firm should be conveniently situated to the project. Is there anything else?—A. And have the necessary qualifications.

Q. And have the necessary qualifications.—A. That is right.

Q. How did you make selections as between various individuals or firms in that category? Was it very difficult?—A. If there were two firms in the same location, equally qualified, one contract may go to one firm and the next contract to the next firm.

Q. Would you try to steer them that way?—A. Oh, yes, we would spread the business around, and in some cases we found a firm could not take on a job they would have so much work on hand, and we would give it to the other firm.

Q. Are we to understand it was the policy that C.C.C. would spread contracts involving professional services as widely as possible?—A. That is correct, sir.

Q. Because in some of the pages we have seen in the book of public accounts, some of us have been rather struck by the fact that there was not so very many of the firms rendering professional services; when I say "professional services" I am not confining it to architects. There may be services of owners agents, and services of that kind. The spreading, I am bound to say for my part, is not very impressive as reflected on these pages.

The CHAIRMAN: Do you mind being more precise?

Mr. FULTON: N-24 is one.

The CHAIRMAN: That is the "consultants' fees".

Mr. FLEMING: Yes, under the heading "consultants' fees". I do not want to anticipate the return that some of the witnesses from National Defence are bringing up with regard to this page. They were going to bring us back a breakdown of the services rendered for some of these fees. If the witness would like to review that matter and bring us a fuller statement at a later meeting, I would be quite content.

By Mr. Thatcher:

Q. Mr. Chairman, I wonder if Mr. Low would state whether in the year under question his department purchased all the cars, say, for the various departments.—A. No, sir.

Q. Which department would do that—each department buy their own?—A. We just purchased mechanical transport for the Department of National Defence.

Q. In other words, there is not central purchasing agency in the government.—A. No, sir.

Q. Would it not be possible and make for economies to have such an agency?

The CHAIRMAN: Well, that is a question of policy. He can answer for what he is asked to do, but I don't think it is up to him to express himself as to the government policy.

Mr. THATCHER: Maybe it is a recommendation we could make.

The CHAIRMAN: That is for the committee to look into.

By Mr. Thatcher:

Q. Which department did you say you purchased cars for?—A. The Department of National Defence.

Q. Can you buy them direct from the various companies for the department?—A. Yes, sir.

Q. It seems strange to me some of the other departments are buying them from local dealers. It seems to me if we had a central purchasing agent for all departments—and I think Canadian Commercial Corporation would be a good place—the taxpayers may save a certain amount of money.

Mr. CROLL: But you are protesting unless they buy in Saskatchewan.

Mr. THATCHER: No, no; there is an awful difference between purchasing and manufacturing.

The CHAIRMAN: You mean that you would want to know if the government should have a central purchasing agency for all departments.

Mr. THATCHER: That is right.

Mr. FULTON: We can ask Mr. Low as an expert witness his opinion on that question, as to whether economies could be made.

The CHAIRMAN: No. You can ask him any question on what he is asked to do by the charter of his corporation, according to his own duties, and ask him to express an opinion; you might ask him whether he is satisfied with the way the system worked.

Mr. FULTON: Suppose we ask the question, whether he feels Canadian Commercial Corporation would be able to undertake central purchasing.

The CHAIRMAN: I am sure he will say yes, they would have been able to do anything in that line.

Mr. FULTON: Ask him whether Canadian Commercial Corporation would have been able to undertake central purchase of motor vehicles for all government departments at a saving over the present system.

The WITNESS: If you will re-word the question, and cut out the "saving".

Mr. FULTON: Well, I will take it in two bites: would the Canadian Commercial Corporation be able to undertake the job of central purchase of motor vehicles for government departments.

The WITNESS: Yes, sir.

Mr. THATCHER: Could you have done it at a saving?

The WITNESS: I don't know what price the other departments are paying, therefore I am not in a position to answer.

Mr. THATCHER: Some of them buy from local dealers, therefore you could have made a saving.

The CHAIRMAN: It is not within the knowledge of the witness to answer that.

Mr. THATCHER: How many purchasing agents has the federal government got? Does that mean there are 20 odd purchasing agents in the—

Mr. FRASER: What do you mean by the word "odd"?

Mr. THATCHER: 20 at least. This may be a way of saving money. I was under the impression Canadian Commercial Corporation did most of the purchasing for the various governmental departments. If it is not doing it for Defence this year, what department is it purchasing for?

Mr. CROLL: It is not in business any more.

The WITNESS: The Canadian Commercial Corporation is now really a sales agency; it acts only for foreign governments—the United States and the United Kingdom, and any other governments who wish to obtain military stores from Canada, and in carrying out the purchasing function it is really like a requisitioning agency.

tioning agency. We make a sale to the United States, and we obtain the contract and place it with Department of Defence Production, and they carry out the contract.

Mr. THATCHER: You do no purchasing for local departments.

The WITNESS: No, sir.

The CHAIRMAN: Not any more; they did in 1949-50.

The WITNESS: Not since the first of April, 1951.

Mr. THATCHER: Maybe I am wrong, but it seems to me that central purchasing is something that might save the taxpayers some money. How are we going to get that?

The CHAIRMAN: It is something that may be discussed when we look into our prospective report.

Mr. FLEMING: There is something that does lie properly within our enquiry now, and within the competence of the present witness; from the experience you had in Canadian Commercial Corporation, during the present year with purchases—

The CHAIRMAN: You mean the year under review?

By Mr. Fleming:

Q. Yes, the year under review—aggregating nearly a quarter of a million dollars, are you satisfied that the method that was followed of channelling these very substantial purchases for the Department of National Defence through the one purchasing agency did result in savings to the government of Canada?—A. Yes, sir.

Q. Would you care to estimate the extent of the savings?—A. I am very sorry, I could not do that.

Q. In percentage? I am not expecting anything exact, but I am thinking you may have some approximation.—A. No, I am sorry I could not give any indication.

Mr. CROLL: Do you remember Mr. Ilsley's estimate on the price controls in the House?

Mr. FLEMING: Are you satisfied savings were made in the purchase of materials?—A. Yes, sir.

Q. Are you satisfied savings were made in connection with construction contracts?—A. Yes.

Q. Are you satisfied savings were made in connection with contracts for services, whether professional or otherwise?—A. That is right—well, on professional services I could not say if savings were made, because they are all of a standard rate, but probably by the selection of the most competent firm in the field we have effected savings.

Q. You think you have done that in that way?—A. Yes.

By Mr. Riley:

Q. In your opinion, along the line that Mr. Thatcher was following a moment ago, if a central purchasing agency was set up by the federal government in order to effect savings, would it not be true, from your experience, that almost 100 per cent of the commodities purchased by the government would be purchased in the provinces of Quebec and Ontario, if the central agency were set up on a low tender basis?—A. Not necessarily. You have to maintain district offices such as we had, and, as a matter of fact, it would be necessary to have central stores. You could not set up a central purchasing agency without having warehouses to store standard items. Requisitions would flow from the user to the warehouse. If the warehouse could supply the item it would do so; if not, it would send a requisition to the nearest district purchasing office.

Q. If such an agency were set up you would actually then purchase directly from the manufacturer in order to effect the most saving.—A. Yes, you would endeavour to obtain your supplies in carloads instead of L.C.L. lots.

Q. Well, would it not be true that nearly 100 per cent would come from Quebec and Ontario.

Mr. THATCHER: The witness said it would not.

Mr. CROLL: It seems reasonable what Mr. Riley says, that if you are going to buy carload lots from the manufacturer, and the manufacturing industries in the main are here, then purchasing would naturally follow.

The WITNESS: Yes, that is quite true, but there would still be some—

Mr. WRIGHT: They would still come from the same manufacturer whether purchased in the province or purchased centrally.

Mr. THATCHER: Whether purchased singularly or by carload?

Mr. CROLL: Not necessarily.

Mr. FLEMING: Mr. Chairman, I was going to ask a number of questions along the line of the types contracts, but I think it is a little late now to open up that subject. We could indicate to Mr. Low, so that he will be able to bring to our next meeting one or two things he will be prepared to discuss at the next meeting—kinds of contracts, the various classes, and perhaps have some forms here with him, the forms that were in use by the corporation. Just for the sake of clarity, when I asked earlier for a statement in regard to retaining the services of professional persons, architects, owners agents and engineers, and so on, I gave an example, page N-24, I was not confining it to that; you will find other pages, N-36, 37, 38; you will find others of that kind here; they are easily to be found in these pages. Would you, then, bring to the next meeting a statement with detail of the purchases in this period of any surplus that has previously been owned by the government and was declared surplus, if there was any.

The WITNESS: We will try to get that, but it is a pretty tall order.

The CHAIRMAN: That might not be ready for the next meeting. At the beginning of the next meeting we will have the answers, first to the questions that were already sent in writing, and then answers to the questions asked today. The meeting stands adjourned until Thursday morning at 11 o'clock.

The meeting adjourned.

*Canada - Public Accounts, Standing
Committee on, 1951*

SESSION 1951

HOUSE OF COMMONS

Government
Publications

CAT 8214

= 191

STANDING COMMITTEE

ON

PUBLIC ACCOUNTS

CHAIRMAN—MR. L. PHILIPPE PICARD

MINUTES OF PROCEEDINGS AND EVIDENCE

No. 20

THURSDAY, JUNE 7, 1951

WITNESS:

Mr. W. D. Low, O.B.E., Managing Director, Canadian Commercial Corporation.

OTTAWA
EDMOND CLOUTIER, C.M.G., O.A., D.S.P.
PRINTER TO THE KING'S MOST EXCELLENT MAJESTY
CONTROLLER OF STATIONERY
1951

MINUTES OF PROCEEDINGS

HOUSE OF COMMONS, ROOM 430.

THURSDAY, June 7, 1951.

The Standing Committee on Public Accounts met at 11.00 o'clock a.m., the Chairman, Mr. Philippe Picard, presiding.

Members present: Messrs. Ashbourne, Benidickson, Blue, Boisvert, Boivin, Brisson, Campney, Cauchon, Cavers, Cloutier, Fleming, Fournier (*Maisonneuve-Rosemont*), Fraser, Gibson, Helme, Johnston, Kirk (*Antigonish-Guysborough*), Macdonnell (*Greenwood*), Macdonald (*Edmonton East*), Major, Nowlan, Pearkes, Picard, Richard (*Ottawa East*), Riley, Robinson, Stewart (*Winnipeg North*), Thatcher, Wright.

In attendance: The following officials of the Canadian Commercial Corporation, namely: Mr. W. D. Low, O.B.E., Managing Director; Mr. W. J. Atkinson, O.B.E., General Purchasing Agent; Mr. F. F. Waddell, Secretary and Legal Adviser.

The Committee resumed consideration of Public Accounts for the fiscal year ended March 31, 1950.

The adjourned examination of Mr. Low was resumed. In the course of the said examination, Mr. Thatcher moved:

That the Minister of Defence Production be requested to appear before the Public Accounts Committee at an early date, for the following purposes:

1. To explain government policy and methods in the allocation of defence contracts.
2. To give the reasons why the Prairie and Maritime provinces have received and are receiving such a small proportion of defence contracts allocated.
3. To discuss the feasibility of setting up a central purchasing agency for all government departments.

In amendment thereto, Mr. Fleming moved:

That the following be added to the proposed motion of Mr. Thatcher:

4. To discuss such other matters as the Committee may wish to question the minister about.

After discussion, Mr. Thatcher agreed to the addition contained in the proposed amendment of Mr. Fleming and further, to the substitution of the word "invite" for "requested" in the original motion.

After some debate thereon, the said proposed motion of Mr. Thatcher, as amended, was ruled out of order on the ground that it entailed questions having to do with government policy, hence without the scope of the Order of Reference.

And the ruling by the Chairman having been challenged by Mr. Thatcher, the said ruling was sustained, on a show of hands, on the following division: Yeas, 14, Nays, 8.

On motion of Mr. Wright,

Resolved—That Mr. Howe, Minister of Defence Production, be invited to appear before this Committee with regard to contracts let during the fiscal year 1949-50, now under review by this Committee.

And the examination of Mr. Low still continuing; the said examination was adjourned to the next meeting.

At 1.10 o'clock p.m., the Committee adjourned to meet again at 11.30 o'clock a.m., Tuesday, June 12th.

ANTOINE CHASSÉ,
Clerk of the Committee.

MINUTES OF EVIDENCE

HOUSE OF COMMONS,

JUNE 7, 1951.

The Standing Committee on Public Accounts met this day at 11:00 a.m. The Chairman, Mr. L. Philippe Picard, presided.

The CHAIRMAN: Gentlemen, I see a quorum. We shall start our proceedings with Mr. Low answering a number of questions which were asked at the previous meeting.

Mr. THATCHER: Mr. Chairman, before you start with that, would you be good enough to give me thirty seconds in order to make a motion about something?

The CHAIRMAN: Well, the agreement was that at each meeting we would start this way, and after that we could take up the order of the day in the regular manner. I may recognize you then.

Mr. THATCHER: This would only take thirty seconds, Mr. Chairman.

The CHAIRMAN: Yes, but dealing with it might take half an hour.

Mr. THATCHER: It would be along the lines of what we did at the last meeting. I think I would be in order, Mr. Chairman, but I do not want to press it.

The CHAIRMAN: Is there any objection to our proceeding as usual and getting the answers first?

Mr. THATCHER: Except that my motion has to do with what was done at the last meeting, before you start something new.

The CHAIRMAN: We are not starting something new. We want to get the answers to questions asked before we start something new.

Mr. THATCHER: Very well.

The CHAIRMAN: Shall we go on? Now, we shall hear from Mr. Low.

Mr. W. D. Low, O.B.E., Managing Director of the Canadian Commercial Corporation, called:

The WITNESS: Mr. Chairman, the first question was asked by Mr. George C. Nowlan with respect to married quarters erected at Newport Corners, Nova Scotia.

The quarters in question consist of:

- (a) Six houses, Peerless Plan 773, 5-room, 1½ storey, including clearing, excavation, roads and fencing for the project.
- (b) Utilities and services, including well and water storage tank, sewage and water facilities.

Tenders were invited by means of advertisements in the local papers, the *Canada Gazette*, and the *Daily Commercial News* and *Building Record*. Three companies submitted tenders, the lowest being that of J. H. Hicks and Sons Limited, Bridgetown, N.S., in the amount of \$91,776.75.

The next lowest tender in the amount of \$92,800.00 was submitted by Ralph and Arthur Parsons Limited, Windsor, N.S., but the tender was not complete as it did not include the cost of erecting a water storage tank. The company undertook to erect a tank on the basis of cost plus 5 per cent.

The third tender in the amount of \$110,485.25 was submitted by the Annapolis Valley Construction Company Limited, Truro, N.S.

The contract was awarded to the lowest tenderer.

The next question, Mr. Chairman, was with respect to the total value of all orders issued by district purchasing offices across Canada from April 1, 1949 to March 31, 1950. The details are as follows:—

	Total Dollar Value of Orders
St. John's Nfld.	\$ 235,229.24
Halifax, N.S.	4,576,090.34
Quebec, Que.	955,781.55
Montreal, Que.	1,994,969.04
Ottawa, Ont.	3,110,879.50
Toronto, Ont.	2,862,537.44
London, Ont.	2,028,586.07
Winnipeg, Man.	2,846,771.31
Regina, Sask.	294,240.88 •
Calgary, Alta.	1,170,692.02
Edmonton, Alta.	2,578,599.69
Vancouver, B.C.	2,342,298.78
Victoria, B.C.	1,541,935.16

It will be noted that there is no figure there for Saint John, N.B. That office was only opened on April 1, 1950.

By Mr. Thatcher:

Q. What precisely do these figures include? Do they include fuel for ships and things of that kind?—A. Local purchases, consisting mostly of food-stuffs and small requirements, required by local commands.

Q. For the army and the air force?—A. For the three services.

Q. I see.—A. But large requirements, such as annual requirements for fuel would be handled by headquarters in Ottawa.

Mr. JOHNSTON: What was that item of \$2,578,599.69 for Edmonton, and the item of \$1,170,692.02 for Calgary? What would they include?

The WITNESS: That would cover purchases made by those offices. I am coming to that later. I have a statement outlining how we divide the work between our district offices and the Ottawa office.

Mr. FLEMING: Is it to be expected that purchases made through the local purchasing offices will reflect the number of personnel of the armed forces quartered in those particular districts?

The WITNESS: That is correct.

Mr. THATCHER: These are not the figures which Mr. Wright asked for at the last meeting. I think he asked for a breakdown.

Mr. WRIGHT: Of \$211 million.

Mr. THATCHER: Have you got that figure with you today?

The CHAIRMAN: He had a copy of the transcript and he extracted from it the questions and prepared many answers. Others may come later. I suggest that if the answers given today do not include what is wanted, we can ask later on for the answers to be produced.

By Mr. Fleming:

Q. That figure of \$221,538.000 was the total of purchases both from the central bureau and from the 14—or the then 13—local purchasing offices. If we totalled up the figures given to us just now by Mr. Low, we would have the total of purchases made through the 13 local purchasing offices, and we could

infer that the entire balance was purchased through the central bureau at Ottawa. Is that correct?—A. Yes, except for those purchases made by our London and Washington offices.

Q. You mean London, England?—A. Yes.

Mr. THATCHER: I do not think that your breakdown is what Mr. Wright wanted.

Mr. WRIGHT: I think probably you will have an answer to come later. I asked for a breakdown of the \$221 million total as spent between the different provinces, or spent in the different provinces on contracts let, plus these other figures you have just given.

The CHAIRMAN: Does your answer have to deal only with requests for information as to what purchases were made locally? Your question is probably on the list. It may not be ready. I do not know. It may be given to us at the next meeting.

The WITNESS: I have the purchases by provinces.

Mr. WRIGHT: That was it.

The CHAIRMAN: You can give it to us later.

The WITNESS: The next question asked was for a statement of the various reasons why we would not accept the lowest tender.

The answer is:

- (a) When the lowest tender was submitted by a contractor whom we knew, from experience on previous contracts, could not carry out the proposed contract according to its terms.
- (b) When the lowest tender was submitted by a contractor with whom we had no previous contractual experience and when, after investigation, it was decided that he did not have the facilities to carry out the proposed contract according to its terms.
- (c) When the terms of delivery offered by the lowest tenderer were not acceptable to Department of National Defence and he could not improve the terms of delivery.
- (d) When the lowest tender did not provide for the supply of stores according to specification.
- (e) When the lowest tender was not a firm price and contained provision for escalation, provided that the lowest tenderer would not remove the escalation provision and we were able to obtain a better offer from the next lowest tenderer.

Mr. FLEMING: Do you want us to withhold our questions on this subject, Mr. Chairman?

The CHAIRMAN: If your question is pertinent to this, we might as well have it, so as not to have to come back eternally to the same thing.

By Mr. Fleming:

Q. There are two aspects of this to which I would like to refer. Have you any statistics available as to the number of contracts as to which, for these respective reasons, you did not accept the lowest tender?—A. No. They would be very small. To get you an answer would mean examining all our files to determine those cases where the contract was not awarded to the lowest tenderer.

Q. Did you start off with some fixed principles laid down with reference to the type of case in which you would not proceed by accepting the lowest tender? This evolves out of some experience, does it not?—A. Particularly in cases of new contractors. I think I mentioned at the last meeting that we had

a case where a contractor quoted a price which we knew was ridiculously low. He had never made the article before. And firms with long experience of that particular line had also tendered prices which were quite a bit higher.

Before we awarded a contract to this man, we examined his plant and we found that he did not have the facilities or the personnel. In spite of that, we gave that contractor an opportunity to make a sample. It happened to be a great coat. He made up the sample and it was rejected.

Then he asked for an opportunity to make a second sample. So he made it and again it was rejected by the inspection services. Therefore we terminated the contract.

That is one case where a firm will quote a low price, not realizing what they are up against.

Q. I suppose it could become a serious matter, especially in the case of someone with whom you have done business before. Assuming that he completed the contract on the prior occasion and submitted the lowest tender, if you reject it, you must arrive at the conclusion that he may not be able to complete it on the ground that he has not got the necessary personnel or experience to complete it.—A. That would not be done in the case of an experienced contractor.

Q. I am interested mainly in the first two reasons you gave us. We can quickly dispose of cases where you reject the tender for informality. That is quite common; or where delivery is not promised in accordance with the requirements.

It is your first two points, it seems to me—without having before us any concrete cases that you can point to as illustrations—which might conceivably, under some circumstances—I am not suggesting they existed at all, I am merely after information—which could give rise to a rejection on your part based on your opinion as to whether or not a contractor was a suitable contractor for the purpose.—A. I might say that there were very very few of those cases; and each one was carefully gone into before we rejected the lowest tender.

Q. Who would go into them? Can you indicate the procedure followed in cases of that kind?—A. We would send competent people to the plant to inspect it.

Q. People in your own employ?—A. People in our own employ, or we might get assistance from the Department of National Defence.

If the matter concerned the clothing field, we would call on the inspection services to provide us with qualified technical officers to examine the plant along with one of our representatives.

Q. You say there were very few cases of this kind. Possibly Mr. Atkinson could give us an approximate idea of the number they amounted to?—A. I am sorry.

Q. I am not suggesting that you would have anything like an exact figure on this. As you have said, there were very few of them.—A. The one case I have in mind was that of the great coat. That is one I distinctly remember, because I dealt with the file myself. There may have been one or two others, but I cannot recall them. And as I say, it would mean looking over a great number of contract files to determine just what cases were involved. I would not hazard a guess as to the number.

The CHAIRMAN: If any member has in mind any such case on which he wants information, and for which the file would have to be obtained, that could be done. But I agree with Mr. Low that reviewing a whole lot of files of the corporation might take quite a long time.

By Mr. Fleming:

Q. I am not asking that Mr. Low go through all the 84,600 contract files for this purpose. He says there may be a few cases and he mentioned one. If there be one or two, or if he could count them on the fingers of one or two hands, it would satisfy my curiosity on the point.—A. I would say there would not be any more than ten cases to the best of my recollection.

Q. On all grounds or only on the first two grounds?—A. On the first ground.

Q. On the first basis for rejection of the lowest tender?—A. Yes, lack of experience. I might say on that point, very often when we are dealing with a contractor with someone who has not carried out a previous contract and before, if we have any doubt as to his ability, we give him a trial order. We try to give him an opportunity.

If he submitted the lowest tender, or has quoted the lowest price, we feel he should be given an opportunity. So we would give him a trial order for a small quantity to see how he makes out. And if he is successful, we would then give him further contracts.

Mr. MACDONNELL: I appreciate what Mr. Low has said about the case where a man might tender to do something which he could not do, and what Mr. Low says about inquiries which are made with respect to companies. Would there be a certain number of cases where a company was newly organized for the purpose of carrying out a contract which they hoped to receive and which in fact they did receive from the C.C.C.? I presume there would be some cases of that kind, would there not?

The WITNESS: I cannot recall any cases at that time. We are discussing 1949-50.

Mr. MACDONNELL: Yes.

The WITNESS: I cannot recall any new companies. There may have been, of course.

The CHAIRMAN: The witness stated at the last meeting that during the war, there were cases of companies being formed for that purpose. But with respect to the year 1949-50 he states that he does not know of any.

Mr. THATCHER: I think Mr. Low stated at the last meeting that these contracts are left f.o.b., wherever the goods are wanted, rather than f.o.b. at the factory which makes the goods.

The WITNESS: That is right.

Mr. THATCHER: It seems to me that such a practice makes it terribly difficult for outlying provinces to compete; and if the contracts were let f.o.b. the factory, it would be fairer to the industries in other parts of Canada. But you have nothing to do with that now?

The WITNESS: Oh, yes, indeed I have. I have a statement to make on that point later on.

Mr. THATCHER: Oh, you do have something?

The CHAIRMAN: There are about twelve answers to be read.

Mr. THATCHER: Thank you. Very well.

By Mr. Fraser:

Q. With respect to the question you just asked, would that cover contracts for construction as well?—A. Every type or kind of contract.

Q. Every kind of contract?—A. Yes, that is right.

The next question, Mr. Chairman, was asked in connection with the coal requirements for Esquimalt. The requirements covered a total tonnage of 15,600 and contracts were entered into as follows:

Alberta (Victoria) Coal Co. Ltd., Victoria, B.C. (for coal produced by "Cassidy" Mine located at Nanaimo, B.C.) 10,450 tons, prepared stoker for delivery into bins and/or stockpile at locations shown:

5,000 tons to H.M.C. Dockyard, \$11.60 per ton.

300 tons to R.C.N., Colwood, B.C., \$11.75 per ton.

4,500 tons to H.M.C.S. "Naden", \$11.65 per ton.

650 tons to C.S. College, Royal Roads, \$11.90 per ton.

2,500 tons, bituminous lump to H.M.C. Dockyard, \$13.00 per ton.

50 tons, bituminous lump to R.C.N., Colwood, B.C., \$13.15 per ton.

Kingham-Gillespie Coal Co. Ltd., Victoria, B.C. (for coal produced by "Comox" Canadian Collieries (Dunsmuir) Ltd., Vancouver Island, B.C.)

2,000 tons, bituminous lump to H.M.C.S. Naden, \$13.15 per ton.

Walter Walker & Sons Ltd., Victoria, B.C. (for coal produced by "Comox" Canadian Collieries (Dunsmuir) Ltd., Vancouver Island, B.C.)

100 tons, bituminous lump to Boom Defence Depot, \$13.25 per ton.

500 tons, bituminous lump to C.S. College, \$13.25 per ton.

The prices at which these contracts were placed were the lowest received, calculated on a B.T.U. basis, for delivery into bins and/or stockpile as specified by Department of National Defence.

Lower prices were submitted by Vancouver Island Coals Limited, for delivery by scow on the basis of f.a.s. berth Esquimalt, B.C. but consideration could not be given to this proposal as we were advised by the navy that it did not possess the personnel or facilities for unloading and delivering to the different stations involved, and would not accept delivery by this method.

Tenders are not invited direct from mines as they are not in a position to make deliveries to bins and/or stockpile as required by the navy.

In connection with contract placed with Alberta (Victoria) Coal Co. Limited, it will be noted that the Cassidy Mine is located at Nanaimo, B.C. It was considered desirable, if possible, to select a supplier on Vancouver Island. Although we had doubts as to the capacity of the Cassidy Mine to produce the tonnage involved, nevertheless as it was a local mine, we went into the matter thoroughly with the proposed contractor and received definite assurance that this mine could produce the coal. Accordingly, the contract was placed for Cassidy coal. In September 1950, it was reported to us that the contractor had substituted two or three carloads of Alberta coal without permission of the Canadian Commercial Corporation. The matter was vigorously pursued and the contractor notified that any further deliveries of other than Cassidy coal would constitute a breach of contract and that termination of same would result.

In December 1950, the Alberta (Victoria) Coal Co. Ltd. telegraphed that it was forced to admit that the Cassidy Mine could not produce the quantity of coal called for. In the meantime, however, the navy had reduced considerably the quantity originally requisitioned and the Cassidy Mine was able to supply on the reduced scale.

By Mr. Pearkes:

Q. May I ask some questions here? What steps were taken to find whether the Cassidy Mine had any prospect of supplying this contract? Did you simply take the agents' word for it?—A. It is our policy, General, when dealing with coal contracts, to consult the Dominion Coal Board and we have the advice of

the technical officers of that board. There was some doubt in our minds about the ability of the mine to produce this tonnage but we accepted the word of the contractor that it could.

Q. And events proved that it could not?—A. Yes.

Q. The Cassidy Mine is a very small mine indeed, worked at the time this contract was let by about three independent miners. It had produced in the months before somewhere in the neighbourhood of 80 tons of coal, and that was all. It has no washing plant; it has no facilities at all to produce that type of coal which was required; and it was obvious from the very beginning to the people who knew conditions at that mine and the type of coal which was required at the naval establishments, that the Cassidy Mine was making token deliveries—obviously just as a blind in order that the Alberta coal could be brought in to supply the requirements. Whereas, there are the large Canadian Collieries Limited which have spent literally millions in the development of the coal fields at Nanaimo and at Comox. Comox coal is known all over the Pacific coast. It is first class coal and they made a bid. I understand their bid was somewhere about 30 cents more per ton of stoker coal than the one submitted by the Alberta Coal Company. They were capable of filling the contract whereas the mine from which the Alberta coal companies were purchasing their coal was not capable of doing it—as has been proved by the events and the evidence now submitted.

Did you make any attempt to decide whether the coal had to be washed or not before delivery?—A. The coal would have to conform to the specifications. The company, with the exception of three carloads which they brought in from Alberta, did complete the contract—both as to quantity and the quality as called for in the contract.

Q. Except for three carloads 'that you had reported to you'—may I make that point?—A. Yes, three carloads we had reported to us by the Royal Canadian Navy.

Mr. JOHNSTON: You would not infer they had more than that, General?

By Mr. Pearkes:

Q. It is not for me to make inferences. I may have suspicions. Was it specified in the contract that the coal would have to be washed?—A. I am sorry, sir, that I have not the actual contract with me—yes, it was prepared stoker coal for delivery in the bins and/or stockpiles. It does not specifically mention "washed coal".

Q. From a report that I have the coal comes from a little prospect mine behind Cassidy—which incidentally I have visited and seen personally—where there is absolutely no treatment plant, where the unwashed screenings must of necessity run to 25 per cent ash; and of course the 30 per cent ton differential on the stoker coal would be insignificant then.

It seems to me that this contract was really let to the Alberta Coal Company who were going to get some coal from a mine which is operated by non-union miners and, which is described in general language there—as a 'gopher' mine, or just a small prospect mine.

There are no facilities for the miners and they have to use the facilities at other plants. It appeared to me it was entirely a blind put up by this Alberta Coal Company who are the agents in Victoria for the Alberta mines; and I would like to stress the importance in future of very careful examination into the practicability of a mine being able to supply a contract, and that wherever possible mines in the immediate vicinity should be given preference over mines say 800 miles away, involving a long haul and so forth.—A. I can only repeat, Mr. Chairman, that this contract was awarded on the basis of competitive tenders. The mine quoted the lowest price based on the B.T.U.'s and, as I said,

we do everything we can to place business with the lowest tenderer. There was no complaint from the navy about the quality of the coal that was received. The only complaint was that they did receive three carloads from a mine in Alberta. We took that up with the contractor and he promised there would be no more shipped in.

By Mr. Johnston:

Q. I want to say a few words about this because I am from Alberta, as you well know.

The General has made some statements that might be a little confusing, inasmuch as they apply to Alberta coal. He said this was a blind put up in order to get Alberta coal in.

I think Mr. Low has indicated it was no such thing; that the coal they received met all the specifications and he has given us some of the details of the specifications required.

Is it true, Mr. Low, that all of the coal used is necessary coal from local concerns? When you put out a contract and ask for a specified coal at a given price would it not be possible for you to accept a bid from Alberta—if they could land coal there meeting your specifications at the required price?—A. Yes, sir.

Q. Was that not done in this case?—A. Yes, sir.

Q. Even the three carloads you got from Alberta, which was sent to the Cassidy Mine, were at the specifications and at the price—and, I understand it was lower than some of the bids which were received locally?—A. We did not go into Alberta for the supply of coal in this case.

Q. But even the bid you received from the Cassidy Mine— —A. It was the lowest bid received.

Q. The lowest bid received?—A. That is right.

Q. Surely there should be no objection to the Department of Defence getting their supplies from Alberta for the navy in British Columbia—provided the coal meets the specifications as to quality, thermal heating units and the price?—A. That is right.

Q. It seems to me, Mr. Chairman, in view of the fact that the prairie provinces in particular are being—I was going to say “gypped” but that is not exactly it—

Mr. THATCHER: Discriminated against.

Mr. JOHNSTON: —discriminated against would be a better term—in regard to some of these contracts.

The CHAIRMAN: That is also a matter of opinion.

Mr. JOHNSTON: I think as time goes on it will prove to be correct.

Mr. FRASER: They generally get the gravy on other things.

By Mr. Johnston:

Q. I do not know why you say that. We will see about it later, but it seems to me these contracts should be distributed around a little bit, particularly in a case like this where the product can be obtained from the prairie provinces—if it meets all the specifications and the price qualification. As Mr. Low has said, they have never had any complaints from the navy who was using this.

I wonder if Mr. Low can tell us how much coal was received from Alberta direct, or if they received any tenders which were rejected?—A. In this particular contract we have been dealing with there were only three carloads.

Q. Yes, but I mean for the depot?—A. Well, we buy very large quantities of coal but I haven't those figures with me.

Q. Have you received bids from Alberta?

The CHAIRMAN: On this particular contract?

By Mr. Johnston:

Q. I do not mean on this one instance.—A. Oh, yes, sir. We have many bids on our requirements from the province of Alberta.

Q. For naval purposes?—A. I would not say for the navy or the air force, but for the Department of National Defence.

Q. Can you give me some idea how much coal you get for the Department of National Defence, in British Columbia for instance?

The CHAIRMAN: For a later meeting? The question will be taken note of and the answers brought to another meeting.

Mr. JOHNSTON: Also, can you indicate how many of those were the lowest tender, how many were rejected, and how many were accepted?

The WITNESS: Yes, sir.

Mr. PEARKES: I do not think we want to get into the question of whether Alberta coal can be shipped to British Columbia or not. That is a question of policy and I hardly think you would permit a question of policy to be entered here.

The CHAIRMAN: I think you will admit, General, that I acted with leniency in allowing you to make your statements which were quite definite at times also. I thought it only fair to let the other member come in with his explanation. Both statements were slightly irregular because we are supposed to ask the witness questions and members should not make statements. However, since I allowed yours I thought it was fair to allow Mr. Johnston's remarks.

Mr. PEARKES: I was just trying to point out that in all respects the contractor had not been able to meet the terms of the contract.

Mr. JOHNSTON: He did, though.

Mr. PEARKES: I imagine that I could ask the question whether, when the contract was awarded to the Alberta Coal Company in Victoria, it was specified that the coal should come from the Cassidy Mine?

Mr. JOHNSTON: There is a statement there that I do not like.

The CHAIRMAN: The General has just asked a question

By Mr. Pearkes:

Q. I just asked whether when the contract was let it was specified that the coal should be delivered from any particular mine?—A. Yes, sir. The Cassidy Mine, and he delivered three carloads of coal which were not from that mine and that was a breach of contract.

Q. Well, obviously the local considerations had been taken into account when awarding these contracts. Personally, I think it is a good thing.

By Mr. Macdonnell:

Q. How many tons did come from the Cassidy Mine under the contract?—A. I am sorry I do not have that information.

Q. Hundreds of tons or hundreds of thousands of tons?—A. Only 10,000 tons over the whole period.

Q. Over what period?—A. For the annual requirements—twelve months.

By Mr. Johnston:

Q. I think there is a statement which should not go unchallenged. I do not know that the General meant it as it was expressed, but he referred to the fact that his coal did not meet the specifications. I understood Mr. Low to say it did meet the specifications and I think that should be clearly understood?—

A. Yes, the coal delivered did meet all the requirements except that three carloads came from Alberta. While they were up to specification the contractor should not have delivered Alberta coal under this contract.

Q. That was the only thing?—A. He undertook to deliver the coal from his own mine.

Q. But even the coal which did come from Alberta did meet all of the specifications—except the one that it should have come from the Cassidy Mine? —A. That is correct.

Mr. PEARKES: There is no question on that. The only other point I would like to make is that it was not made clear whether this coal had to be washed or unwashed for delivery. Had it been made clear that it would be unwashed coal, the contract price offered by Canadian Collieries Limited might possibly have been lower.

The WITNESS: The specifications were provided in the invitation to tender. We specified in our invitation to tender "prepared stoker coal". We did not say "washed" or "unwashed".

Mr. JOHNSTON: Alberta coal is so clean it does not need to be washed.

The CHAIRMAN: Can we proceed to the next matter?

The WITNESS: The next question, Mr. Chairman, was asked in connection with the Peace River bridge. Based on the recommendation of the Department of National Defence in 1947, the engineering portion of this work was negotiated with Dr. P. L. Pratley, of Montreal. We concurred in the recommendation by the Department of National Defence that Dr. Pratley's services should be retained in this connection, as being probably the best qualified consulting engineer in Canada for this type of work.

The terms of the contract were:

- (a) Preliminary survey and report—\$100 a day for time spent at the site; \$50 a day for time away from office; \$6 a day for time spent in office; Net cost of office staff plus 50 per cent for overhead; Net travelling expenses.
- (b) Design, approval and supervision of repairs—\$100 a day for time spent at the site; Retainer fee of \$2,500; \$50 a day for time away from office; \$6 a day for time spent in office; Net cost of staff including salaries, living allowance, travelling, maintenance and operating expenses; 50 per cent of staff salaries for overhead. Net personal travelling expenses.

The total estimated expenditure was \$25,000, and the actual cost was \$16,645.31.

Dr. Pratley, in his report to the Department of National Defence recommended that the services of Messrs. Creaghan & Archibald should be obtained for the actual work of repair at this site.

This recommendation was concurred in by the Canadian Commercial Corporation and the company was selected since it was considered to be the firm best in the position to undertake the work and complete it economically and efficiently in a minimum of time. Payment was negotiated on the basis that the contractor would receive the actual cost of the work plus 10 per cent of such cost to cover overhead expense, plus 5 per cent of such cost to cover profit and including an allowance for plant rental payable at standard rates.

The total cost as verified by cost inspection and audit division of the Treasury was \$361,028.37. The contractor's fee and overhead amounted to \$54,154.26, or a total of \$415,182.63.

By Mr. Macdonnell:

Q. I do not know that I got one thing quite correctly. You talk about cost of office staff in connection with payments to Dr. Pratley. In one place the cost

of office staff had added to it 50 per cent for overhead. In another section you referred to actual cost plus 10 per cent of the cost of the work plus 5 per cent for profit.—A. I was dealing in the first portion with engineering fees and in the latter portion the 10 per cent of such cost to cover overhead was in connection with the contractor's fee for carrying out repairs.

Q. I am interested in the 50 per cent figure. You say there is in one case cost of office staff plus 50 per cent. Am I correct—as to rate of profit?—A. No, sir, that is overhead.

Q. Then how do you arrive at the cost of office staff? Does that not include salaries?—A. That is the net cost of staff including salaries and then 50 per cent of that figure for overhead.

Mr. FLEMING: In the first case I understood you to say 50 per cent of all charges in respect of the office staff, and in the second case you said 50 per cent of salaries of office staff plus overhead. Which is it?—A. There are three answers here, if I may just explain. The first was for the survey and report; the second was for the design, approval and supervision of repairs; and of course the third was for the actual contract for repairs.

The figures for the first survey and report were: \$100 a day for the time spent at the site; \$50 a day for the time spent away from the office; \$6 a day for the time spent in the office.

Mr. MACDONNELL: Is that cumulative? Does the \$50 a day and the \$100 a day apply at the same time?

The WITNESS: No, sir.

Mr. FLEMING: The \$50 a day would be for travelling.

The WITNESS: Yes, sir. The next item was net cost of office staff plus 50 per cent for overhead.

Mr. MACDONNELL: What goes into the figure for cost of office staff? Is that salaries?

The WITNESS: Yes, that is salaries of office staff.

Mr. FLEMING: Are you quite sure it is only salaries?

Mr. MACDONNELL: It is not a very normal phrase for salaries. Cost of office staff would include salaries and other things too.

Mr. FLEMING: In the second case in your report you say 50 per cent of salaries, but not in the first case.

The WITNESS: I was referring to 50 per cent of the net cost of office staff in the first case.

Mr. FLEMING: You see, cost of office staff includes more than salaries.

The CHAIRMAN: Will, what would you include in that? You do not say rental and so on—office staff is the expression.

Mr. MACDONNELL: I say that is not self-evident.

The WITNESS: I haven't the file with me.

The CHAIRMAN: We will get further information.

Mr. JOHNSTON: While he is getting it could he give us a detailed statement as to what is overhead? I would not think that after including salaries of the office staff you could go ahead and put in another 50 per cent on top of that, besides light, heat, and so on.

The CHAIRMAN: Not besides light and heat. I do not know whether you can interpret office staff as being other than salaries for the office staff, and the 50 per cent would be for overhead. The witness will see the file and bring in a supplementary answer.

By Mr. Fleming:

Q. Has the witness got enough information to be able to tell us what was the total cost of services rendered in relation to the total cost of the project?—

A. Yes, I have that figure.

Q. I am taking them all together.—A. The engineer's fee—that is Dr. Pratley's fee—was \$16,645.31. The total cost of the repairs, exclusive of his fee, not including that fee, was \$415,182.63.

Mr. NOWLAN: Did you say where the firm of Creaghan & Archibald were? Where were they from?

The WITNESS: Yes, I did say that. It was Montreal.

By Mr. Fraser:

Q. May I ask a question in regard to plant rental at regular rate? What amount of plant rental was there and was the 5 per cent profit on top of that plant rental, if they rented other offices?—A. No, there is no profit on plant rental. There are certain standard fees we pay. I am sorry I have not got those with me but I will be glad to get the information.

Q. The 10 per cent and the 5 per cent would not be on top of that?—A. No, sir.

By Mr. Johnston:

Q. May I ask a question Mr. Chairman? This bridge was in Peace River. Now, did you call for tenders on this repair job?—A. No, sir.

Q. How did it come you would give the contract to a firm in Montreal to do a job out in Peace River?—A. Because the company was considered to be the best firm in Canada to undertake this work.

Q. Who built the bridge in the first place, do you know?—A. Yes, the United States army, through Bickle, Price and Callahan, from Kansas City.

Q. What was the total contract price?—A. I cannot recall the total contract price but the bridge was completed in 1943.

Q. But there were no tenders called at all? You never had any bid from British Columbia, Alberta, or Saskatchewan?—A. For the original erection?

Q. No, for the repair?—A. No, sir.

Q. That seems rather odd.

The CHAIRMAN: The witness has previously read a synopsis of the report from Pratley in which it was stated that Pratley considered this firm was the one best qualified to do the work. You have to take that at its worth.

By Mr. Wright:

Q. I would like to ask a question of the witness. Mr. Low, during the year 1949-50, the year under review, did the Canadian Commercial Corporation let any contracts for gravelling on this highway, or for the removal of earth to widen it or extend it in any way? Did you as the Canadian Commercial Corporation let any contracts?—A. I cannot recall any contracts. I could review our files and see but I cannot recall any at the moment.

Q. Why I asked the question is that I just wondered if the work on the highway is all done by the staff of the highway or whether the Canadian Commercial Corporation enters into the picture in letting contracts for work done on the highway?—A. To the best of my knowledge the work on the highway is taken care of by the army engineers.

Q. It is only in the case of bridges that you let contracts?—A. Yes, sir; work they cannot perform themselves.

By Mr. Johnston:

Q. Was there any contract made at all with the Dominion Bridge and Steel Company in Calgary to get an estimate on this?—A. No, sir.

Q. And therefore the government would not be in a position to know whether that firm would be qualified to undertake anything of this nature?

Mr. CAMPNEY: My recollection of the evidence given by the deputy minister of National Defence was that the reason for the job was erosion in connection with one of the big towers or pillars—erosion at the base of it, and not structural steel or anything like that. It was a very unusual position which required special study and treatment—if I remember correctly the evidence the deputy gave to the committee.

The WITNESS: I may say there were no specifications covering repairs available when this work started. It was a very special type of work.

The CHAIRMAN: You had no specifications to ask tenders on when Pratley made his first report?

The WITNESS: No, that is correct.

Mr. JOHNSTON: You had special engineers there conducting an investigation first and drawing up specifications, or did your contractors do that?

The WITNESS: No, Dr. Pratley was right on the job supervising the work as it progressed. My recollection is that he did make some preliminary specifications but he was there supervising the work as it went along. I understand there was not sufficient time to prepare specifications or to invite tenders. This work had to be undertaken at once or there was danger that the bridge might collapse.

By Mr. Fleming:

Q. Over how long a period did the services of Dr. Pratley, for which he was paid \$16,645, extend?—A. I am sorry, I have not got that information.

Q. Were the services all rendered within the twelve-month period we have under review? Or could you get that information?—A. Yes, we could find out how long he worked on this job.

Q. It would be easy enough because he no doubt made up his account on the per diem basis and you would have the exact dates.

In just making a rough calculation of the figure \$16,645 as against the total, it is almost 4 per cent, or slightly more than 4 per cent of the cost of the work—\$415,000.

The CHAIRMAN: Would not that be under the average rates an architect or engineer would charge in connection with putting up your own house?

Mr. FLEMING: I would not hazard an opinion on that, Mr. Chairman, at this moment—without knowing more about what the type of work is.

The CHAIRMAN: You made the statement that it is 4 per cent and I was commenting that if it is 4 per cent it does not appear to be too bad.

Shall we pass on to the next question, gentlemen?

Mr. MACDONNELL: Dr. Pratley was doing a great deal of work for the department during that year. You were satisfied that he did have time to give full attention to what he was doing?

The WITNESS: Yes, sir.

By Mr. Fleming:

Q. This payment of \$16,645 was not the only payment made to Dr. Pratley within this period?—A. No. There were other payments made in connection with other contracts. But that was the only payment made with respect to the Peace River bridge.

Q. Have you figures which would show the total payments made to him during that year?

The CHAIRMAN: That question was not passed before.

By Mr. Fleming:

Q. Probably you are getting beyond the period covered by this particular payment of \$16,645. But could you look up the other information?—A. We can check to see if he performed any other work during that same period.

Q. According to the public accounts, there were other payments made to Dr. Pratley during the fiscal year.

The CHAIRMAN: Next?

The WITNESS: The next question was in connection with the value of the contracts. We were asked to provide a breakdown of the value of contracts awarded by the corporation under \$5,000; between \$5,000 and \$15,000; then over \$15,000. Unfortunately, I have not got the information in exactly that way; but I do have some figures here which may be acceptable to the committee.

Under \$1,000 there were 72,735 contracts.

From \$1,000 to \$9,999, there were 10,023 contracts.

From \$10,000 to \$49,999 there were 1,404 contracts.

From \$50,000 to \$999,999 there were 461 contracts.

And the contracts over \$1 million numbered 9.

By Mr. Fleming:

Q. That would be \$100,000 and over?—A. No. \$1 million and over. I beg your pardon; contracts from \$50,000 to \$999,999 numbered 461. And the contracts over \$1 million amounted to 9, making a total of 84,632 contracts.

Q. Have you got the total value of those contracts broken down?—A. No sir, I have not.

The CHAIRMAN: The answers provided today are for the questions asked at the last meeting.

Mr. THATCHER: How about giving us a break-down by provinces? Have you got one?

The CHAIRMAN: That may be a further answer.

By Mr. Thatcher:

Q. If it is to be a further answer, that is fine.—A. I have the information here with respect to provinces, Mr. Chairman. I might say that these figures are based on the actual contracts awarded by the corporation, but they do not include amendments. So there may be some discrepancy with the figures given before as to the total value of the contracts awarded. In other words, the contracts may be increased or decreased.

The figures by provinces are as follows:

Newfoundland, \$469,717.93

Mr. THATCHER: Just give us the odd thousand and never mind the cents.

The WITNESS:

Prince Edward Island	\$ 409,138
Nova Scotia	6,541,106
New Brunswick	1,636,169
Quebec	74,626,131
Ontario	77,263,860
Manitoba	8,613,143
Saskatchewan	686,130
Alberta	7,966,293
British Columbia	8,016,942
The Yukon	2,778,047
The Northwest Territories	35,878
Labrador	601

I think at the last meeting I gave figures of our purchases in the United States and in the United Kingdom during the same period.

By Mr. Thatcher:

Q. The total you gave us was \$221 million for those purchases, was it not?
—A. In round figures, I think that is right.

Q. I find it very strange that in the case of the Yukon you should have bought four times as much as you did in Saskatchewan. I do not know. It may be that I am biased, but I cannot for the life of me understand why Saskatchewan cannot get any defence contracts. We have some factories out there.—A. The purchases made in the Yukon consisted mostly of gasoline and petroleum products for the Northwest highway and for the air fields.

Q. Why did you not purchase some of that material in Saskatchewan?

The CHAIRMAN: You do not contract for wheat.

Mr. FLEMING: Saskatchewan has a lot of political products.

Mr. THATCHER: I wonder if that is the reason we are not getting any contracts. Did I not understand you to say at the last meeting that at the present time you have nothing whatever to do with the allocating of defence contracts?

The WITNESS: No. At the present time I have a dual capacity. In addition to being connected with C.C.C., I am also the coordinator of purchasing for the Department of Defence Production. I operate the general purchasing branch of the Department of Defence Production.

By Mr. Thatcher:

Q. You still do the purchasing?—A. That is correct.

Q. For the Department of Defence Production?—A. That is right.

Q. Can you tell me if in the coming months we are going to do a little better in that respect in Saskatchewan?

The CHAIRMAN: How can he say that? That would be a projection on a very big screen.

Mr. THATCHER: Well I do not know how to get around these rules or how to find out the information.

The CHAIRMAN: You can ask for it in the House.

Mr. THATCHER: I have asked for it in the House, as well as in the committees, and everywhere.

The CHAIRMAN: I would like to co-operate with you but I am bound by the rules of the committee. We can only investigate 1949-50. I am allowing quite a bit of leeway as to whether or not there has been improvement in this or that. But as to what would happen in the future, that would be projecting too far away for the witness to be able to answer you.

Mr. THATCHER: I take it that the Right Hon. Mr. Howe pretty well says what is to be done, and that is the policy which Mr. Low has to follow. I would like to make a motion.

The CHAIRMAN: You should try to get your information in the right place.

Mr. THATCHER: This is the time. My motion concerns the very subject we are talking about. I appeal to you for some support; and if it were possible for the government members to support my motion, we might be doing the people of the outlying provinces of this country a real service.

The CHAIRMAN: You must understand that your motion will be acceptable if it is in accordance with the reference to our committee.

Mr. THATCHER: I hereby move, seconded by Mr. Wright, that the minister—

Mr. RICHARD (*Ottawa East*): Is it not a fact, Mr. Chairman, that the addresses given by these contractors are not often the addresses of their places of business? For example, Burns and Company give Ottawa as being their address; and Consolidated Smelters give Montreal as being their address.

The WITNESS: That is quite right. There is quite a lot of those cases. For example, we might buy beef here from the Canada Packers plant in Hull but that beef would come from the Prairie provinces as western beef. So it is impossible to tie up the origin of the goods with the address of the company concerned. You are quite right, Mr. Richard.

Mr. THATCHER: I cannot be side-tracked by that. Mr. McIlraith has been telling me that for three or four months. But in every list that is given out there is nothing in it for my province, and I may say there is little more than that for a number of other provinces.

So I move as follows:

That the Minister of Defence Production be requested to appear before the Public Accounts committee at an early date, for the following purposes:

1. To explain government policy and methods in the allocation of defence contracts.
2. To give the reasons why the Prairie and Maritime provinces have received and are receiving such a small proportion of defence contracts allocated.
3. To discuss the feasibility of setting up a central purchasing agency for all government departments.

It seems to me that the Right Hon. Mr. Howe is the only man who can give us this information and it seems to me that he is pretty well running this country.

The CHAIRMAN: Those are all free statements which have nothing to do with the motion.

Mr. THATCHER: And he does not seem to want to give us any contracts in our end of the country. So I would ask this committee to request him to come here and explain just what he is doing. I make that motion, Mr. Chairman, if you will accept it. I think the Right Hon. Mr. Howe should come down here and allow us to question him for a morning. There would be no harm in that.

The CHAIRMAN: May I point out that in the United States where these things are done, the secretary for defence, or the secretary of any other department could be brought before a committee. The constitutional system in the United States is different from ours.

In the United States the ministers are not responsible to the House or to the Senate. They are only responsible to the President himself. So that the only way the head of a department can be made to account for his administration is to have him appear before a committee of Congress.

But in Canada and in British countries, the constitutional system is different in that the ministers who are heads of departments sit in the House, and they have to give account to the House for their administration or policy.

Mr. BENEDICKSON: The estimates of the Right Hon. Mr. Howe have not yet been dealt with in the House of Commons. Only the other day Mr. Howe told Mr. Thatcher that he would be very glad to have Mr. Thatcher question him in the committee of the whole, where all the members would have the same opportunity, with respect to matters of current policy and policy in the coming years.

Mr. STEWART: Surely there is no reason why the Right Hon. Mr. Howe should not come before this committee. We have a precedent in the fact that the Secretary of State for External Affairs appears before the External Affairs committee. Of course, we could wait until the estimates of this particular department come before the House, but I do not see why we should.

Mr. THATCHER: I am sure that the Right Hon. Mr. Howe would welcome an opportunity of coming before this committee and explaining his administration and policies to us.

The CHAIRMAN: Before I put the motion I shall read it. It reads as follows:

Moved by Mr. Thatcher—

And it is so nicely typewritten.

Mr. THATCHER: Yes, typed by myself.

The CHAIRMAN: Moved by Mr. Thatcher and seconded by Mr. Wright:

That the Minister of Defence Production be requested to appear before the Public Accounts committee at an early date, for the following purposes:

1. To explain government policy and methods in the allocation of defence contracts.
2. To give the reasons why the Prairie and Maritime provinces have received and are receiving such a small proportion of defence contracts allocated.
3. To discuss the feasibility of setting up a central purchasing agency for all government departments.

Mr. JOHNSTON: Before you put the question, I think that is a rather broad motion.

The CHAIRMAN: We shall go this way (indicating) to give every member an opportunity to speak to the motion.

Mr. JOHNSTON: That motion is rather broad, Mr. Chairman, but I think there is some merit to it. We in the Prairie provinces particularly—and I believe this applies to the Maritime provinces as well—in my judgment have been discriminated against in the way that the Department of National Defence is operated.

Now, it is true that the Right Hon. Mr. Howe has made a statement in the House of Commons to the effect that the Prairie provinces have received considerable attention. But a good deal of the money which the Prairie provinces received—I should say that a good deal of the small quantity which they receive—comes in connection with concerns which are not in any case going to be permanent.

Money is being spent there for the erection of air fields and for aircraft personnel training and so on. That sort of thing was done in the last war too. But as I pointed out in 1939, that is the type of spending which comes to an end just as soon as the danger is over.

As soon as the danger of the last war was over, most of the establishments were torn down and very few were left. There was just a skeleton crew left there. It seems to me that this motion is pertinent because now is the time when we should, in our defence organization in Canada, be spending money for the erection of more permanent establishments throughout Canada, and helping wherever possible the building up of industries which will be useful in peace time as well as in war time and which will develop Canada as a whole. I think we should do that rather than to concentrate all our industrial construction work and defence buildings in the two central provinces. I feel they should be scattered throughout all Canada, giving to every province its fair share of the money spent, and giving every province an opportunity to build up its industry so that we will be working towards the advancement of Canada, not only from the standpoint of economics, but from the standpoint of progress as a whole.

For that reason I think Mr. Thatcher's motion is quite timely and that it will serve some good purpose.

Mr. NOWLAN: I support what Mr. Johnston has said. The expenditures made in my province largely concern shipbuilding and airports; but in so far as general purchasing is concerned, I feel they are very very limited. So I think the resolution should be dealt with favourably.

Mr. FLEMING: I think this motion is not as broad as Mr. Johnston has suggested. From my point of view I feel it is a little on the narrow side.

I would like to see the Right Hon. Mr. Howe to be invited to come before this committee, not only to explain the things which are set out in the motion but to give testimony as well on other things.

Mr. THATCHER: I am willing to add to my motion, if you like.

The CHAIRMAN: We might amend the motion.

Mr. THATCHER: Could you not put in words such as "to discuss many other things?"

Mr. FLEMING: Yes, or let us say, "to discuss such other matters as the committee may choose to question him about."

Mr. THATCHER: That is fine.

Mr. FLEMING: It has been said that according to our constitutional system the proper place to question a minister is in the House, in the light of his responsibility to the House. I think that is not a complete statement.

After all, there is no more reason why a minister should be accountable on the floor of the House but not before any committee which is set up by the House, because we as a committee are a segment of the House. And as Mr. Stewart has pointed out the idea of a minister appearing as a witness before a committee is not a new one.

I think Mr. Stewart mentioned that the Secretary of State for External Affairs appears before the committee on External Affairs. He does and he is questioned on all subjects having to do with the policy and administration. That is done on the expenditures of his department. He is questioned on everything imaginable in connection with his department and with the policy it carries out.

He was not the first Secretary of State for External Affairs to appear as a witness before that committee. The first one to do that was the Prime Minister himself.

Mr. RICHARD (*Ottawa East*): That is a different situation, Mr. Chairman. The minister is questioned on the estimates of his department which are referred by the House to that special committee.

Mr. FLEMING: The Secretary of State for External Affairs appears before the committee on External Affairs to answer questions in regard to anything having relations to his department and its policies.

Mr. RICHARD (*Ottawa East*): Yes, but on his estimates. That is something different.

Mr. FLEMING: No. When the minister appears before that committee, he is questioned in regard to his policies. We cover the whole globe in that committee. And as I mentioned earlier, the Prime Minister himself was the first person to inaugurate that practice of going before the committee. I refer to the present Prime Minister.

Moreover, we have had the Hon. Mr. Abbott appearing before the committee on Banking and Commerce quite often with regard to bills. He has appeared before that committee and given information and has submitted to questioning in regard to his policies.

I would be very reluctant to see any rule set up or even suggested that a minister of the Crown should not be brought before a committee to answer to the committee with respect to his responsibility. That is not aping the American system. I think it is simply giving a logical application to our own system of responsible government.

And so far as the present resolution is concerned, I think it would be very helpful to the committee to have some evidence from the Right Hon. Mr. Howe on the matters which Mr. Thatcher has mentioned in his motion, and I can think of a number of other matters which would make it very worth while for the minister to come before this committee.

Mr. RICHARD (*Ottawa East*): Mr. Chairman, I do not think that the majority of the members of this committee would have any objection to seeing the Right Hon. Mr. Howe come before us. But I do not think we should request a minister of the Crown. I think we should first invite him. I think we should first do it the polite way and send him an invitation to appear before this committee.

Mr. BENEDICKSON: There is no reason I can think of why a minister should not appear before this committee.

Mr. THATCHER: I do not care how we get him here. I am ready to change the wording of my motion to include "invite".

Mr. STEWART: Mr. Chairman, I think the first thing we have got to do is to agree to invite the minister; and we can only agree to invite him by means of a motion. I would point out that we are discussing policies, and that in my opinion it would be most unfair and inappropriate to question civil servants about policies of the government. Therefore the only way we can get the information we want with respect to these figures which have been produced is to invite the minister or his parliamentary assistant to appear before us and explain the policy of the government in this respect. I think the motion is quite proper and should be agreed to by this committee.

Mr. WRIGHT: I certainly, as the seconder, think that a motion is necessary in the committee. I understand that Mr. Thatcher is perfectly willing to have the word "request" changed to "invite" the minister to appear before this committee.

Quite frankly in looking over this year, 1949-50, I find a great number of contracts which have been let by the air force or the navy, not one cent of which has been spent in the province of Saskatchewan. It is true that in the case of the army there was a very small item spent in Saskatchewan, but it was a very small item in comparison to the total amount spent by the army.

When we come to these contracts, we find only six hundred and some odd thousand spent in Saskatchewan out of a total of \$221 million. I do not think it is fair to ask the gentlemen who are before us today and who are responsible only for the physical handling of this business to answer questions with regard to government policy. So I submit that we are entitled, as a committee, to have the minister come before us and to give us the government's point of view on this procedure.

Mr. CAMPNEY: We might listen to the parliamentary assistant, Mr. Chairman.

Mr. THATCHER: We suggested it, but the chairman ruled it out.

The CHAIRMAN: I ruled what out?

Mr. THATCHER: Mr. Croll was in the chair at that time, Mr. Chairman, and not you.

Mr. WRIGHT: We are prepared to have the motion changed to read "invite".

Mr. FLEMING: What is the difference between "request" and "invite"?

Mr. BENIDICKSON: I still would not support that motion. We have heard evidence about certain things and that there is inequality and so on. I think the proper thing to do is to invite the minister to come before the committee and answer questions with respect to anything that is referred to us by parliament. I am sure he would be happy to come here.

Mr. STEWART: Let us have the motion.

Mr. FRASER: Yes, put the motion now.

Mr. THATCHER: There was only one thing.

The CHAIRMAN: Do you mind if other members get an opportunity to make some remarks, Mr. Thatcher?

Mr. MACDONNELL: I think it would be very unfortunate, after all that has been said, if the Right Hon. Mr. Howe did not come. I do not see any need for dispute over the punctilious wording of the motion. If the minister is willing to come, let him come. And after he gets here there won't be an awful lot of hair-splitting over what he answers. He will probably answer a lot of things we haven't even thought of yet.

Mr. CAMPNEY: I do not think we need a motion, Mr. Chairman. This is supposed to be a Public Accounts committee to investigate the public accounts.

When the Hon. Mr. Pearson appears before the committee on External Affairs he does so by reason of the reference of his estimates to that committee.

We have had attempts made here to try to project this committee into the field of the estimates. Now we are attempting to go even farther afield and have a minister come here to discuss government policy.

There may be committees—as has been pointed out, apart from the House of Commons itself, where a minister can discuss policy. But it seems to me that in the Public Accounts committee we should try to do the work that we are intended to do, that is, to look into the expenditures. If we start to wander into the field of government policy, we will be departing entirely from the purpose for which this committee was set up.

Mr. BENIDICKSON: We could have the minister come before us upon the reference to this committee.

Mr. MAJOR: Mr. Chairman, I feel that we are here to study the public accounts for the year 1949-50. The motion is to the effect that we have the minister come before us to state the policies of the future. I do not think that is what we are here for.

If we feel that we should invite the minister to come before us to answer questions on his estimates instead of doing so in the House, I would not have any objection to that. But I do not think we should have the minister come here to discuss future policies.

Mr. BOISVERT: I support the views expressed by Mr. Campney and Mr. Major. I think we are called upon to examine and scrutinize the public accounts for last year. So I think this motion is out of order because it refers to government policy and to future policy of the government with regard to expenditures. I am strongly of the opinion that this matter should come up before the House of Commons and not before our committee.

The CHAIRMAN: Are there any other remarks?

Mr. MACDONNELL: It seems most unfortunate, Mr. Chairman. A little while ago we seemed to be unanimous. Now the lawyers have got in their work and we are divided.

Mr. BOISVERT: I think we should confine our discussion to the public accounts of last year and not call the minister to come before us to discuss

government policy. The House of Commons itself is the proper place to ask questions of the minister with respect to government policy.

Mr. THATCHER: We do not care how you get him here. We are willing to word the motion anyway you like, to invite him or request him as you wish. We hope to bring up this point when he gets here, namely, that according to the public accounts report, Saskatchewan got only one-quarter of the contracts that the Yukon got. Moreover, I see that the Maritime provinces and the three Prairie provinces and British Columbia are far below the others, if you take the population of those provinces into consideration at all.

According to a return which we got in parliament, Saskatchewan this year received only $\frac{1}{10}$ of 1 per cent of the contracts let, up to the end of February. All we want to know is what we can do to get something more?

I am sure that the government has not discriminated against my province for political reasons; but I would like them to come and give me what the reasons are. And if they do not come and tell me what their reasons are, I shall begin to think that political considerations account for it.

We want to ask about the contracts let by the government. I feel sure that the Right Hon. Mr. Howe would welcome an opportunity to come and tell us about them.

Mr. STEWART: Question?

The CHAIRMAN: Before the question is put, the chairman would like to be allowed to say a few words.

I think we all agree on the necessity of spreading as much as possible amongst all provinces the allocation of contracts. But personally I do not think the way to do it is to ask in the Public Accounts committee for the minister to come and talk about government policy when we are not dealing with it.

I think we should try to better the position of the provinces which have not been as much favoured as others, by asking the present witnesses, and any other witnesses we may care to call, for the reasons why, in the past, contracts have not been awarded to Saskatchewan.

We have had 18 meetings with the National Defence people; and we may have quite a number more until the session adjourns, if we care to keep on asking pertinent questions as to why, in this or that field, contracts were not let to Saskatchewan. That is perfectly logical, and I am sure all members would agree and would like to help you in that respect.

As far as Mr. Fleming's views are concerned, about bringing the minister before the committee, I do not think he understood my point. As I have said, it has not been the practice in the British House and in the Canadian House for ministers to appear before the Public Accounts committee and talk about their policies.

According to our terms of reference we are not entitled or allowed to talk about policies. It is true that a minister may come before a committee which is specially set up to consider his estimates, the estimates of his department, or to consider a bill concerned with his department, or with respect to any measure or which they have to do with something concerned in his department. An example of that is the special committee of the House on the estimates of the Department of External Affairs, where it has been decided to refer those estimates to a special committee.

But here in this committee—and I shall not repeat what I have said quite often since we began our order of reference—our purpose is to study the public accounts of Canada. We are not here as a defence committee. We are here as a committee to study the public accounts for the year 1949-50 and to question the witnesses under our order of reference.

Matters of government policy are not of concern to this committee on Public Accounts. They are of concern to the House of Commons committee of the whole. That is the place where questions about policy should be asked, and where the ministers are bound to answer. And if the members do not like the answers, or think they are inadequate, it is up to them to force or hammer out the answers they want.

What we are dealing with here is the question of whether or not a sum which was spent in the year 1949-50 was well spent. We can bring here as a witness a member of the administration, I mean an officer of the department concerned to give us information. And if the witnesses do not supply that information, they can be censured; or if we are not satisfied with it, we can report on them.

But as to matters of policy, I do not think it is up to this committee to deal with them. So I personally think that the first paragraph, as well as the third paragraph, of this motion, are certainly out of order, that the minister be requested to appear to explain government policy and methods in the allocation of defence contracts.

We can ask the witnesses we have here or any other witnesses that we may have concerning the methods they have followed with respect to defence contracts in the year 1949-50. And we can ask these witnesses about the feasibility of setting up a central purchasing agency and so on. But I submit that questions having to do with government policy should only be dealt with in the House. So personally I do not think the motion is in order.

Mr. THATCHER: At least you will put the question, Mr. Chairman?

The CHAIRMAN: Do you challenge my ruling, then?

Mr. THATCHER: Yes. I challenge your ruling.

The CHAIRMAN: I shall read the motion made by Mr. Thatcher.

It is moved by Mr. Thatcher and seconded by Mr. Wright:

That the Minister of Defence Production be invited to appear before the Public Accounts committee at an early date, for the following purposes:

1. To explain government policy and methods in the allocation of defence contracts.

2. To give the reasons why the Prairie and Maritime provinces have received and are receiving such a small proportion of defence contracts allocated.

3. To discuss the feasibility of setting up a central purchasing agency for all government departments.

An amendment was made by Mr. Fleming, adding these words:

4. To discuss such other matters as the committee may wish to question the minister about.

I shall make these added words part of the first motion, and I repeat the fact that the chairman has already ruled that the motion is out of order. So the question is on the chairman's ruling. All those in favour of sustaining the chairman's ruling will please say so. I shall ask the secretary to count the members, so will you please stand up? Those who are against the chairman's decision will please rise?

I declare the chairman's ruling sustained.

Mr. WRIGHT: I want to make a motion, Mr. Chairman. According to the members here who have voted against Mr. Thatcher's motion, I take it they would be in favour of my motion which reads as follows:

That Mr. Howe be invited to appear before this committee with regard to contracts let during the year 1949-50 now under review by this committee.

Mr. BENIDICKSON: I second the motion.

The CHAIRMAN: That motion is in order.

Mr. Wright, seconded by Mr. Benidickson, moves as follows:

That Mr. Howe be invited to appear before this committee with regard to contracts let during the year 1949-50 now under review by this committee.

As I have said, this motion is in order. All those in favour?

Carried.

The motion is carried unanimously.

By Mr. Ashbourne:

Q. I understand the witness gave an amount of some \$600 odd as having been spent in Labrador.—A. Yes.

Q. I would like to ask why that amount was not included under the heading of Newfoundland.—A. It should have been included in that first paragraph which I gave.

Q. I represent Labrador as well, of course.

The CHAIRMAN: You do not want a separate province made out of your riding. Shall we carry on with the next answer?

By Mr. Fleming:

Q. I would like to ask one or two questions about the basis of this breakdown by provinces. I think you indicated that this is simply a breakdown based upon the place where the order was given or received by the contractor?—A. That is right.

Q. Is there any closer method of calculating the purchases in terms of the origin of the goods and commodities purchased, or the work done under the contract?—A. It would be extremely difficult to do. I do not think it could be done. For example, one particular lot of items for use in the Prairie provinces would be manufactured in the east. On the other hand, we buy a lot of food-stuffs in the east which come from the west. It would be almost impossible to trace back these contracts to determine the origin of the products.

Q. If questions are to be based on it this breakdown as representing provinces in which the work was done under the contract, or in which the commodities are purchased, it seems to me wholly inaccurate, in fact, misleading.—A. It indicates only the province in which the contract was awarded, not the province where the stores originate.

Q. I cannot see that it is of much value for this purpose.

By Mr. Richard (Ottawa East):

Q. That would be only if the address is given of the person who tenders?—A. That is right.

Q. The address used by him; it might be Ottawa all the time?—A. It may be purchased from a local dealer.

Mr. BENEDICKSON: It often is.

The WITNESS: If you want to go back far enough you can go right back to the basic materials such as steel, lumber, and so forth.

Mr. FLEMING: I do not think we can base anything on a statement like that, if we are thinking in terms of the allocation of purchases by provinces.

Mr. THATCHER: There may be inaccuracies in it. But no matter how you look at the figures, you will see that my province is not getting any contracts. You may say that they are routed through Ottawa or British Columbia, but you must see that there are no contracts going into my province.

Mr. RICHARD (*Ottawa East*): Maybe Mr. Thatcher could tell us what he has for sale that is not being sold.

Mr. THATCHER: Surely, I could tell you of a lot of things.

The CHAIRMAN: Are there any types of contracts on which representatives from Saskatchewan feel that their province has been discriminated against?

Mr. THATCHER: Yes, there certainly are. The Provincial government produced a list of all the manufacturers who wanted to supply something to the department and wanted to tender and are willing to tender. They have gone to great lengths in that regard, including the Boards of Trade and City Councils and so on.

The CHAIRMAN: Do you know of any contracts in 1949-50 on which you feel that firms in Saskatchewan have been discriminated against?

Mr. THATCHER: Yes. And I shall give you that information as soon as the Right Hon. Mr. Howe comes here. I will bring the list down with me. There are dozens of them.

The CHAIRMAN: You have not got it with you today?

Mr. THATCHER: No, but I have the information.

Mr. RICHARD (*Ottawa East*): I think we should have notice of them, Mr. Chairman.

Mr. THATCHER: The parliamentary assistant has already had notice...

The CHAIRMAN: You cannot expect a member of the government to come here with all the files of his department and be able to answer you right away. If you have a complaint about any contract, the place to raise it is when we have here the witness who can answer and we have one now.

Mr. THATCHER: My complaint has to do not so much with the contracts that we get but rather concerning the contracts that we have not got.

The CHAIRMAN: Is there any contract as to which you say or suggest there has been discrimination against a firm in Saskatchewan? If there is, it is our duty to go into it; and if there is, we will want to get the file produced.

Mr. THATCHER: If you would only give us some contracts, I would not have protested about the odd one.

The CHAIRMAN: I mean among the contracts which were awarded.

Mr. RICHARD (*Ottawa East*): Did you tender, Mr. Thatcher?

Mr. THATCHER: Surely!

The CHAIRMAN: If there are any contracts with respect to which you would suggest that a Saskatchewan firm has been discriminated against, it would be our duty to look into them.

Mr. WRIGHT: May I say a word or two on that particular point?

The CHAIRMAN: The witness wants to answer one or two questions.

The WITNESS: It has been indicated that we were provided with a list of companies in the province of Saskatchewan and that we neglected to put them on our tender list.

Mr. THATCHER: Not in the year in question. That has been done recently. I am sorry, but it was not in the year 1949-50.

The WITNESS: Those companies whose names have been supplied to us are on our mailing list and are being given an opportunity to tender.

Mr. FLEMING: But were they, in the year under review?

The WITNESS: No, sir. We received the information since that year.

Mr. WRIGHT: I think the witness suggested yesterday quite clearly that there was a disadvantage to any company not only in Saskatchewan but in the Maritime provinces who wished to tender on contracts on an f.o.b. basis. So I would like to question the witness further on that point. Many of those goods which you quote f.o.b. in Ottawa may be used in other parts of the dominion.

The CHAIRMAN: I think the witness has one or two further answers he would like to put on the record.

Mr. WRIGHT: I am only illustrating a point. That is one disadvantage we have which makes it very difficult for firms in certain parts of the dominion to make successful tenders on goods and services required by the National Defence Department. I think it is a matter to which this committee should give some consideration.

The WITNESS: At the last meeting I was asked if we had received any complaints about our methods and policies. I have since then checked the files. I did receive complaints.

By Mr. Fleming:

Q. You say you did?—A. Yes, I did; and those are complaints concerning:

1. Rejection by us of late tenders, that is, tenders not received in the Tender Opening Room of the Canadian Commercial Corporation prior to the closing time and date specified therein, because of delays which occurred in the mail. The Corporation's policy was not to make allowance for delays in transmittal of tenders by mail or otherwise, and all late tenders were returned unopened to the tenderers with a letter explaining the reason why they were returned. If it were necessary to open a tender to extract plans and specifications or obtain the return address of the tenderer, the accompanying letter would explain why the tender was opened.

2. Insufficient time in which to prepare and submit tenders.

In setting the closing date for a tender, consideration is given to the type of stores required and the length of time that should be required to prepare the tender and the time required for mailing. In many cases, it has been represented to us by some of those invited to tender that they require additional time in which to prepare and submit their tenders. When the need for the stores was such that an extension of time could be granted, the closing date was extended and all those invited to tender were notified of the new closing date. There were cases, however, when because of the urgent need for the stores, it was not possible for us to grant an extension of the closing date when such requests came from only one or two companies who were invited to tender and we had no indication from the others that they would require an extension of time.

3. Our practice of inviting competitive tenders in which we asked tenderers to submit prices including all transportation costs to the delivery point (Receiving Depot).

Suppliers located at points far removed from the Receiving Depots stated that they could manufacture the stores at a price comparable with those manufacturers located nearer to the Receiving Depots but were at a disadvantage because of the higher transportation costs in transporting the goods from their factory to the Receiving Depots.

The purchasing policy of the Corporation was to consider tenders on the basis of the delivered cost of the stores, that is, the laid down cost at the Receiving Depots.

Mr. THATCHER: Would you stop for one moment, please.

The CHAIRMAN: Let him finish his answer. We cannot separate the statement. Go ahead, Mr. Low.

The WITNESS: I have finished my answer, Mr. Chairman.

The CHAIRMAN: Now, Mr. Thatcher.

Mr. THATCHER: I take it that they always take the laid down cost at the store. That has been one of our troubles, because of the freight rates and so on, we simply cannot compete. So would it not be fairer to take the goods f.o.b. the factory wherever it is, in order to diversify these industries somewhat? Surely it would be better to take them f.o.b. the factory?

Mr. RICHARD (*Ottawa East*): At the cost^a of the taxpayers, of course?

Mr. WRIGHT: I think that is a question which the Right Hon. Mr. Howe might answer rather than this witness. It would be a question of policy of the department.

The CHAIRMAN: I do not think that the Right Hon. Mr. Howe can be questioned here particularly on matters of policy. He would be asked to answer questions on the public accounts.

Mr. THATCHER: We are going to question the Right Hon. Mr. Howe about a lot of things. We accepted the sub-amendment very reluctantly.

Mr. BENIDICKSON: I do not think the minister would mind answering this question. I remember two types of complaints from western suppliers. One would be along the line of this f.o.b. matter. I would offer for example the case of a manufacturer of shoes in western Canada. It would be known that a great number of those shoes would be used by military personnel in western Canada; but the practice was to require tenders to be given f.o.b. Ottawa. Yet those very same shoes would have to be shipped to the west. In that case the western tenderer would be out of luck because he could not compete.

Another type of complaint would be in the case of a western agency for heavy machinery which would be needed for use in the Prairies. The price would have to be f.o.b. an eastern point and the result would be that you would have to buy from an eastern agency, in spite of the fact that that very same machinery would be landed at a western airport or at a western military establishment. I was wondering what validity there was in these complaints?

The WITNESS: We invite tenders based on delivery points stated by National Defence in the contract demand.

With respect to the first case you speak of, while it was true that the company in Winnipeg making footwear would have to compete with eastern manufacturers, on footwear being delivered, let us say, to Moncton or to Plouffe Park; on the other hand he would be in a better position than Eastern manufacturers on footwear being delivered to Western depots.

Mr. BENIDICKSON: Under the policy in question you require the tenders to be f.o.b. Ottawa whether or not the plant producing the goods be in Winnipeg or Vancouver?

The WITNESS: That applied in the case of army footwear. In the case of footwear for the navy, it is delivered to Esquimalt and Halifax; while in the case of footwear for the air force, it is delivered to Calgary, Weston, Ontario, and Moncton.

Mr. THATCHER: And in the case of the army it would be required because they have central stores in eastern Canada, one in Montreal and one in Ottawa.

The CHAIRMAN: That was one of your suggestions, Mr. Thatcher.

Mr. THATCHER: Yes, that is true, but you can have warehouses all over the country.

Mr. BENIDICKSON: What was the practice of the corporation during the period in question with respect to the matter of purchasing heavy machinery?

The WITNESS: We might invite tenders on a piece of equipment to be delivered in eastern Canada, DND might subsequently have it shipped to the west.

Mr. BENIDICKSON: No. I asked: If you required heavy machinery, some of which is destined for use in western Canada, what would you require in the way of a delivery point in the tender?

The WITNESS: We invite tenders based on the destination given in the contract demand made by the Department of National Defence. If they indicate in the contract demand where the equipment is to be delivered, we invite tenders on that basis, and the goods would be delivered at that point.

Mr. BENIDICKSON: And that practice would be followed; even where the Department of National Defence said that they wanted equipment originally delivered to some point in the east, although it was required to be shipped by National Defence to a western Canada destination?

The WITNESS: That is right. We have no knowledge of what happens to equipment after it is delivered to DND.

Mr. BENIDICKSON: So the result would be that a western agency would not have a possibility of putting in a tender.

Mr. FLEMING: I wonder if there is some explanation for the figures which Mr. Low gave us. I refer to the total of \$188 million; \$3,537,206 for the United States, and \$4,866,000 for the United Kingdom. That would leave about \$21 million, would it not?

The WITNESS: These figures were prepared long before this meeting. As a matter of fact, they were prepared just at the end of the fiscal year. We did not then have in all the returns of the amount of contracts let. We did not have all the figures in at the time.

By Mr. Fleming:

Q. What would be the date of this break-down?—A. It would be about April, 1950.

Q. So there would be another \$25 million of goods to be accounted for?

The CHAIRMAN: The committee now stands adjourned.

—The committee adjourned.

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Canada: Public Accounts, Standing Committee, 1951

SESSION 1951

HOUSE OF COMMONS

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STANDING COMMITTEE

ON

PUBLIC ACCOUNTS

CHAIRMAN—MR. L. PHILIPPE PICARD

MINUTES OF PROCEEDINGS AND EVIDENCE

No. 21

TUESDAY JUNE 12, 1951

WITNESS:

Mr. W. D. Low, O.B.E., Managing Director, Canadian Commercial Corporation.

OTTAWA
EDMOND CLOUTIER, C.M.G., O.A., D.S.P.
PRINTER TO THE KING'S MOST EXCELLENT MAJESTY
CONTROLLER OF STATIONERY
1951

MINUTES OF PROCEEDINGS

HOUSE OF COMMONS, Room 430.

TUESDAY, June 12, 1951.

The Standing Committee on Public Accounts met at 11.45 o'clock a.m. The Vice-Chairman, Mr. David A. Croll, presided.

Members present: Messrs. Anderson, Ashbourne, Boisvert, Boivin, Brisson, Cleaver, Croll, Fleming, Fraser, Harkness, Helme, Johnston, Larson, Macdonnell (*Greenwood*), Major, Richard (*Gloucester*), Richard (*Ottawa East*), Robinson, Sinclair, Thatcher, Wright.

In attendance: The following officials of the Canadian Commercial Corporation: Mr. W. D. Low, O.B.E., Managing Director; Mr. W. J. Atkinson, O.B.E., General Purchasing Agent and Mr. F. F. Waddell, Secretary and Legal Adviser.

The Committee resumed consideration of the public accounts for the fiscal year ended March 31, 1950.

The Vice-Chairman informed the Committee that further returns were being tabled by the Department of National Defence, in compliance with requests made by the Committee in the course of the examination of Mr. C. M. Drury, Deputy Minister, and of Mr. A. Ross, Associate Deputy Minister. The eighteen returns were ordered to be printed as Appendix "A" to the day's minutes of proceedings and evidence as follows:

ITEM

PARTICULARS

1. Compensation payable in respect of claims against the Crown—page 415, Meeting No. 15, May 22, 1951. (Page N. 27 of Public Accounts).
2. Breakdown of the item "Professional Services" Page 415, Meeting No. 15, May 22, 1951. (Page N. 27 of Public Accounts).
3. Education of children, number of teachers, number of children attending service schools and number for whom non-resident school fees are paid. Page 416—Meeting No. 15, May 22, 1951.
4. Northwest Highway System—details of cost and maintenance—Page 421, Meeting No. 15, May 22, 1951.
5. Married Quarters—Cost at various locations—Page 427—Meeting No. 15, May 22, 1951.
6. Construction contracts which have not been completed or performed to the satisfaction of the department—Page 447, Meeting No. 16, May 24, 1951.
7. Requests for use of RCAF aircraft which were not granted—Page 471, Meeting No. 17, May 29, 1951.
8. Breakdown of Miscellaneous Expenses Navy—Page 481, Meeting No. 17, May 29, 1951. (Page N. 32 of Public Accounts).
9. Payments on Construction and Maintenance in the Province of Saskatchewan for the fiscal year 1948/49.—Page 488, Meeting No. 17, May 29, 1951.
10. Helicopter Aircraft held during 1949/50—Page 506, Meeting No. 18, May 31, 1951.

ITEM

PARTICULARS

11. W. O. Smith—sentence served and attempt at collection of defalcation—Page 507—Meeting No. 18, May 31, 1951. (Page N. 45 of Public Accounts).
12. Details of uncollectable items—Page 508—Meeting No. 18, May 31, 1951. (Page N. 45 of Public Accounts).
13. Additional information concerning extramural research grants—Page 511, Meeting No. 18, May 31, 1951. (Pages N. 46 and N. 47 of Public Accounts).
14. Prisoners of War—Page 513, Meeting No. 18, May 31, 1951. (Page N. 47 of Public Accounts).
15. Statement of travelling expenses of civil personnel who receive allowances in excess of \$2,000—Page 516, Meeting No. 18, May 31, 1951. (Page N. 49 of Public Accounts).
16. Amount paid to Bell Telephone Co. in 1948/49 and cost of long distance telephone calls in 1949/50—Page 519, Meeting No. 18, May 31, 1951. (Page N. 55 of Public Accounts).
17. Payment to Canadian Commercial Corporation—Page 520—Meeting No. 18, May 31, 1951. (Page N. 56 of Public Accounts).
18. Payments to architectural and engineering firms—Page 522, Meeting No. 18, May 31, 1951.

Note: Public Accounts referred to above are those for the fiscal year ended 31st March, 1950.

The adjourned examination of Mr. Low was continued. The witness read into the record detailed information asked for by the Committee at the previous sitting. Mr. Low was also questioned on other items of the public accounts, with respect to national defence, and was asked to supply detailed returns on some of these. He indicated he would undertake to supply such information at the earliest possible date.

And the examination of Mr. Low still continuing; the said examination was again adjourned to the next sitting of the Committee.

The Vice-Chairman informed the members that a number of vouchers with reference to certain items paid to James Adams and others, which are listed on pages 292 and 293, Volume 10, of the printed record of the Committee, were now in possession of the Clerk and could be examined at the latter's office.

At 12.55 o'clock p.m., the Committee adjourned to meet again at 11.30 o'clock a.m., Thursday, June 14.

ANTOINE CHASSÉ,

Clerk of the Committee.

EVIDENCE

JUNE 12, 1951,
11:45 a.m.

The VICE-CHAIRMAN: Gentlemen, the meeting is now called to order.

Mr. THATCHER: Mr. Chairman, before you start with the questioning, may I say a word? I was just wondering. If the Right Hon. Mr. Howe is coming, will there be any chance of his coming this Thursday? The reason I ask is not of interest to the committee, but it is to me. I have to go home on Friday night for a week for economic reasons and something else, so I shall not be here next week. But I would like it very much if the Right Hon. Mr. Howe could come before the committee on Thursday.

The VICE-CHAIRMAN: I was just going to inform this committee that the Right Hon. Mr. Howe has agreed to come on Tuesday, June 19. He was asked, I think, to come as soon as possible. That was the earliest date he could fix.

Mr. THATCHER: You think there would be no chance of his coming on Thursday?

The VICE-CHAIRMAN: The chairman gave me that information. I think that Mr. McIlraith did the liaison work along with the chairman. That is the best date they could get.

Mr. MACDONNELL: Mr. Chairman, in view of the fact that Mr. Thatcher has been active in this committee, and of the fact that it was his suggestion, I would like to ask if it is not conceivable that the Right Hon. Mr. Howe might agree to come on Thursday? Could you find that out?

The VICE-CHAIRMAN: If he could not come on Thursday, he might come later on. Would you like me to find that out?

Mr. THATCHER: Maybe they could just ask him once again if there is any chance of his coming before us on Thursday.

The VICE-CHAIRMAN: And if not on Thursday, could we put it off for a week? I shall not ask you that question, but I shall see what I can do.

First of all, I have some returns. There are 18 of them which are being made by the Department of National Defence. Do you want me to read them? They are very extensive, and they will take considerable printing. I shall give you an indication of what they are. I will read the list as follows:

1. Compensation payable in respect of claims against the Crown—Page 415, meeting No. 15, May 22, 1951. (Page N. 27 of Public Funds.)
2. Breakdown of the item "Professional Services"—Page 415, meeting No. 15, May 22, 1951. (Page N. 27 of Public Accounts.)
3. Education of children, number of teachers, number of children attending service schools and number for whom non-resident school fees are paid—Page 416, meeting No. 15, May 22, 1951.
4. Northwest Highway System—details of cost and maintenance—Page 421, meeting No. 15, May 22, 1951.
5. Married Quarters—Cost at various locations—Page 427, meeting No. 15, May 22, 1951.
6. Construction contracts which have not been completed or performed to the satisfaction of the department—Page 447, meeting No. 16, May 24, 1951.

7. Requests for use of RCAF aircraft which were not granted—Page 471, meeting No. 17, May 29, 1951.
8. Breakdown of Miscellaneous Expenses—Page 481, meeting No. 17, May 29, 1951. (Page N. 32 of Public Accounts.)
9. Payments on Construction and Maintenance in the Province of Saskatchewan for the fiscal year 1948-49—Page 488, meeting No. 17, May 29, 1951.
10. Helicopter Aircraft held during 1949-50—Page 506, meeting No. 18, May 31, 1951.
11. W. O. Smith—sentence served and attempt at collection of defalcation—Page 507, meeting No. 18, May 31, 1951. (Page N. 45 of Public Accounts.)
12. Details of uncollectible items—Page 508, meeting No. 18, May 31, 1951. (Page N. 45 of Public Accounts.)
13. Additional information concerning extramural research grants—Page 511, meeting No. 18, May 31, 1951. (Pages N. 46 and N. 47 of Public Accounts.)
14. Prisoners of War—Page 513, meeting No. 18, May 31, 1951. (Page N. 47 of Public Accounts.)
15. Statement of travelling expenses of civil personnel who receive allowances in excess of \$2,000—Page 516, meeting No. 18, May 31, 1951. (Page N. 49 of Public Accounts.)
16. Amount paid to Bell Telephone Co. in 1948-49 and cost of long distance telephone calls in 1949-50—Page 519, meeting No. 18, May 31, 1951. (Page N. 55 of Public Accounts.)
17. Payment to Canadian Commercial Corporation—Page 520, meeting No. 18, May 31, 1951. (Page N. 56 of Public Accounts.)
18. Payments to architectural and engineering firms—Page 522, meeting No. 18, May 31, 1951.

These answers will take quite a little time to print. The Clerk of the Committee is going to send them to the Printing Bureau ahead of time. They will be included as appendix A to the proceedings today.

(See appendix A)

Mr. FLEMING: Does this complete all the returns we are going to have, Mr. Chairman?

The VICE-CHAIRMAN: There is one more return. It will be made perhaps on Thursday, or it may not be made until next Tuesday.

Mr. FLEMING: With regard to the proposal to bring the officials back for questioning, I feel that we need sufficient time to study this material before hand.

The VICE-CHAIRMAN: Yes. When you are ready, you can inform the chairman. The officials will be available.

Mr. FLEMING: We would be wasting a lot of time unless we had an opportunity to go over the printed record ourselves.

The VICE-CHAIRMAN: You have some further answers to questions, Mr. Low?

Mr. W. D. Low, O.B.E., Managing-Director of the Canadian Commercial Corporation, called:

Mr. FLEMING: Mr. Chairman, before we start with the questioning, should we not be giving some thought to our program of meetings of this committee for the time that remains to us? Is there any indication yet about the probable

date of prorogation and the probable number of meetings of this committee which we may have?

The VICE-CHAIRMAN: I presume that the House will close at the end of the month. That would mean that we have six meetings.

Mr. FLEMING: Five meetings after today in the ordinary course.

The VICE-CHAIRMAN: Yes. The Right Hon. Mr. Howe will be here for one meeting, whether it be Thursday or Tuesday. That will take up one meeting completely.

Mr. FLEMING: And National Defence officials will be here for at least one meeting?

The VICE-CHAIRMAN: Yes; with respect to the report, we may have to do the report outside of the regular meetings.

Mr. FLEMING: Yes, in other hours.

The VICE-CHAIRMAN: You have some answers to give, Mr. Low. Will you please give them slowly?

The WITNESS: At the first meeting I attended, Mr. Chairman, I was asked a question with regard to our inventory of strategic materials. I am glad to say that I have obtained security clearance in order to give the information in this form. It is as follows: At the end of the fiscal year, March 31, 1950, the Corporation had on hand 2,853,000 pounds of tin, and 1,103,000 pounds of antimony of a total value of \$3,385,000.

By Mr. Fleming:

Q. You mean that is the price that your corporation paid for them?—
A. That was the purchase price.

Q. Is that the sum total of strategic materials held by the corporation at that date?—A. Yes, at that date.

Q. Had any other materials been purchased in that year and disposed of or distributed?—A. No.

Q. These were the only two that were stockpiled?—A. Yes, in that fiscal year.

By Mr. Fraser:

Q. How were they allotted to manufacturers? I mean, having regard to necessity, and essential materials, and essential work?—A. These materials are still on hand.

Q. You say they are still on hand?—A. Yes, they are still on hand.

Q. None of that material has been allotted?—A. No, none of this material has been allotted to any manufacturers.

Q. And with respect to that tin especially, where do you hold it?

The VICE-CHAIRMAN: No, no.

By Mr. Fraser:

Q. Do you hold that tin in your own places, or do you have special allotments for it?—A. The materials are on hand in government property.

The VICE-CHAIRMAN: That is all right.

By Mr. Fraser:

Q. All I wanted to know was that they had it here, that they knew where it was, and that they were keeping track of it.

By Mr. Fleming:

Q. What is the market value of this quantity of material today? Have you had any estimate made of that?—A. I have not today's prices; but the value is considerably more than the prices we paid.

Q. On both commodities?—A. On both commodities.

Mr. FRASER: Tin has risen 7 cents a pound, has it not?

The WITNESS: Something like that.

By Mr. Fleming:

Q. Just one further question. Do you expect to have need or use for these materials? Is there any reason to think that there is not going to be a demand for these materials from government sources within a reasonably early period of time.—A. I could not answer that question. It depends entirely upon world conditions. We have the material here in case of need.

Q. Much of this material has been on hand for two years now without being called upon for use.—A. That is right.

By Mr. Macdonnell:

Q. Some little time ago the Americans suddenly ceased to purchase tin and there was a great slump in the market. They have resumed now, and there has been a rise in the price of 7 cents a pound. Is that rise due to that action by the Americans?—A. I cannot answer that question. I have no knowledge of what the United States is doing at the moment in regard to stockpiling.

Q. There is no common approach to the question between us and the United States?—A. No, there had not been any at that time. At the time under review there had been no common approach to the problem, Mr. Chairman.

The VICE-CHAIRMAN: What other answers have you, Mr. Low?

The WITNESS: I was asked a question as to the principles which govern the determination of goods and services to be purchased by district purchasing offices as compared with those which are dealt with at headquarters in Ottawa.

Our district purchasing offices are located in the cities across Canada already named where it is considered they can be the most useful to the various commands and units of the Department of National Defence. Normally these district purchasing offices purchase stores which are urgently required by units in the field, and articles not normally carried in stock or which are temporarily out of stock at National Defence supply depots.

They also contract for foodstuffs and services of a strictly local nature, such as coal haulage, garbage removal, snow removal, laundry and dry cleaning.

They also accept and take purchase action on requisitions submitted to them by local units of the Department of National Defence in the vicinity. The financial limits within which such local units may sign and submit requisitions to our district purchasing offices are delegated to them by the Minister of National Defence.

In addition, these district offices handle requisitions which the corporation may receive at Ottawa from National Defence headquarters, and forward to them for purchase action. Such requisitions usually cover goods or services which could be obtained from suppliers in the area of the district purchasing offices. Our district purchasing agents would be better acquainted from a source of supply standpoint than we would be at headquarters.

By Mr. Fleming:

Q. It is quite clear that the result of having these local purchasing offices has been that through those offices the purchases tend to be made on a local basis to a greater degree than those made at headquarters at Ottawa.—A. That is right.

The VICE-CHAIRMAN: Please proceed.

The WITNESS: The next question was in connection with the Canadair contract for the production of F-86 airplanes. I was asked to provide Canadair's estimate of the capital assistance required. I have it here.

For tooling, the amount was \$5,200,000; and for capital equipment, the amount was \$2,978,000. There was nothing for buildings.

By Mr. Fleming:

Q. How were those amounts paid? Was it done by instalments?—A. As the equipment was produced. We did pre-finance the company. We put them in funds when they started, so that they could speedily pay the invoices for equipment purchased.

Q. How was that done? Was it done by your inspectors?—A. It was done by cost auditors of the Treasury.

Q. And these amounts were distributed over a period of 12 months, the period which is under review?—A. No sir. These sums were not spent during these 12 months.

Q. You mean they were just authorized?—A. They were authorized during those 12 months.

Q. Have you the figures as to the amounts actually paid in this fiscal year we are studying?—A. No, I am sorry. While the corporation made the commitments, the bills would be paid by the National Defence department.

Q. So, actually your corporation had less to do with these contracts than with ordinary contracts?—A. No. We had a great deal to do with this contract. We were responsible for selecting the contractor. Our engineers were responsible for the checking of the figures with respect to capital equipment and tooling. When we were satisfied with them, the contract was awarded. But the bills would be paid by National Defence.

Q. In other words, you simply cleared the requisitions for funds against the amounts authorized, and then passed them on to the Department of National Defence, with your approval?—A. That is right.

By Mr. Fraser:

Q. With respect to these amounts that are advanced, they are written off as the planes are taken off the line?—A. No, sir. All this equipment remains the property of the Crown.

Q. Does it all remain the property of the Crown?—A. Yes, sir.

Q. And there is no write-off?—A. No, sir.

By Mr. Macdonnell:

Q. Is there any reference at all in the balance sheet of Canadair to these advances? How is it treated?—A. We have full records here in Ottawa of all the equipment that has been provided to Canadair.

By Mr. Fleming:

Q. I think Mr. Macdonnell's point is: How is it held? Is there a lease of it to Canadair, or a licence to occupy and use?—A. No. It is merely loaned to the company to perform our contracts.

Q. You lent the money; but I thought you said you retained the title to the property. Are we talking about two different things?—A. No. We provided the funds to Canadair to purchase certain equipment. While that equipment has been purchased under our supervision and has been installed in their plant, each piece of that equipment remains the property of the Crown.

Q. Yet Canadair enjoys the right to use it?—A. In the construction of F-86 fighters; that is correct.

By Mr. Harkness:

Q. Do they pay any rent for it?—A. No, sir.

Mr. JOHNSTON: Then how is the contract price based? Is it a cost-plus contract?

The WITNESS: It is a target price contract.

Mr. FLEMING: Would you mind enlarging on the subject of how the Crown retains the benefit of ownership, or enjoys other returns from the expenditures which have been made in acquiring title to the machinery at Canadair, which Canadair is now using? Would you mind enlarging on your statement about the relationship between Canadair and the Crown with respect to these advances?

Mr. MACDONNELL: You have the use of the machinery?

The WITNESS: Canadair had certain facilities of its own but did not have sufficient to produce F-86 fighters. Therefore we agreed to advance the necessary money to provide the additional capital equipment required. In addition to that, they had to have special tooling. So we provided the funds to obtain the capital equipment and the necessary tooling. The equipment and tooling remains the property of the Crown and it would be withdrawn from that plant.

By Mr. Fleming:

Q. Is there any proportion of this amount advanced for capital equipment which is not represented by some fixed and visible asset, the ownership of which remains in the Crown?—A. No.

Q. All of it?—A. Yes.

Q. And all of it went into fixed plant equipment?—A. That is right.

Q. But the Crown retains ownership of all that equipment, while Canadair has the right to use it in the construction of the F-86 fighters?—A. That is right.

Q. Will you explain further how this target contract works out?—A. I am sorry, but I do not have all the figures. However, if I might answer you without giving the actual figures, I would be glad to do so. I haven't them here.

Q. It is the principle of the contract in which I am interested.—A. In this particular case we had something to go on. North American Aviation in Los Angeles had produced large quantities of F-86 fighters for the United States Air Force. So our engineers went down to California and made a time study to arrive at what we thought was a reasonable target price for the airplanes.

Then we negotiated a contract with Canadair. Under it they received a fixed fee based on five per cent of the target price. If costs exceed that target, they earn no additional fee. All they get is the cost. But if their costs are less than the target, they share in the savings to an amount not in excess of the 5 per cent fee.

In other words, if Canadair does a good job, they can make as high as 10 per cent.

By Mr. Johnston:

Q. How does our target contract price compare with the price paid in the United States? Is our target price higher than the United States price?—

A. I think it was somewhat higher because we had to import certain supplies from the United States.

Q. Generally speaking, you would say it is about the same?—A. Generally speaking, it would be about the same.

By Mr. Macdonnell:

Q. In negotiating that price with Canadair, how did you give effect to the fact that the capital equipment which Canadair was using was in fact put in and owned by the government? In other words, they, Canadair, were not supplying the full equipment. To what extent was that fact taken into account?—A. I do not believe that was given consideration at the time. North American Aviation of course had their equipment to produce the planes; but Canadair did not have the equipment; so this capital assistance would be in addition.

There were three contracts, one for tooling, one for capital equipment, and one for production. The capital assistance had nothing to do with the establishment of the target price. That was a separate transaction entirely.

Mr. FLEMING: I believe Mr. Thatcher would like to ask a question. Is Mr. Thatcher's question on this point?

Mr. THATCHER: Yes, it is.

By Mr. Fleming:

Q. I want to ask Mr. Low if he would bring a statement to us on the figures. We have not asked him for figures up to now. But I would like to see some figures indicating how the target price, under this contract, compared with the contract price for the construction of F-86 fighters in the United States, and indicating the value for purpose of comparison of the costs of the F-86 in the two countries. I take it that the provision of fixed plant and equipment would enter into that comparison?

Mr. MACDONNELL: How is the question of writing-off or depreciation treated? You have a target price which you pay to Canadair. You explained the provisions with regard to the 5 per cent commission and so on. But I am still not clear about just what effect was given to the somewhat unusual procedure whereby so much of the machinery that was being used in the construction of these planes did not belong to Canadair but did belong to the government of Canada. I would like to know something first with respect to the price, and second, if there was no lease, what then was done with reference to the government of Canada's gradually recouping itself by way of depreciation or otherwise for any machinery which was being used?—A. There is no write-off on the equipment because it remains Crown property. That procedure is not one bit unusual. It is merely the provision of capital equipment to the company to carry out the contract. This was done all during the last war.

By Mr. Harkness:

Q. Was that amount regarded as a subsidy to the company on the part of the Dominion government?—A. No, sir.

Q. So essentially it comes down to this: Certain equipment is provided for Canadair; they are not charged rent for it. I understand you to say that it did not enter into the contract price. Therefore it really amounts to a subsidy.—A. If we charged the company a rental, the Department of National Defence would pay the rental for the equipment in the cost.

By Mr. Fleming:

Q. Your answer is that the Dominion government is the only customer for this plane?—A. That is right.

Q. However, in the figures we have seen quoted on the cost of construction of the individual F-86, we would, as a public accounts committee, want to be sure with respect to Canadair that some account has been taken of the fact that it is public money which has been provided and that it is included under the items of plant and equipment.

The VICE-CHAIRMAN: You have a memorandum of the question asked by Mr. Fleming. When those figures are provided, it will be easier to judge at that time.

By Mr. Thatcher:

Q. As I understand this matter, the government has provided much of the equipment and is taking the risk of losing some of its money. It has provided an assured market for the company; yet any profits which might accumulate will go to the company rather than to the taxpayers. Would it not have been much better, in view of these figures, just to have had a government plant and

to let the government manufacture the planes?—A. The contractor cannot make more than 10 per cent on his work. As I have already explained, he is limited in the first instance to not more than 5 per cent of the target price. He cannot make more than 10 per cent.

Q. If the government's money is in it to a large extent, then why should not the government make that 10 per cent? Was there something in the way which would have prevented this from being possible?

By Mr. Fleming:

Q. Has the government got the management and the know-how?—A. That is right. You must consider other factors besides the plant and equipment. You must consider technical skill. Canadair has the technical officers available there to do this work.

By Mr. Thatcher:

Q. Do you think that the government could not have hired men of that calibre to do the work? When the government puts up the money and takes the risk, why should the company take the profits?—A. That was a matter of policy. Under this contract the government provided the tooling and part of the capital equipment, while the contractor is producing the planes.

Mr. WRIGHT: That is the point exactly. There is no reason so far as the company is concerned. I would like to know the percentage of the total plant being used by this company which has been paid for by the government, and the percentage of the total plant owned by the company itself. It seems to me that if we are providing the larger share of the plant and the larger share of the equipment, then, all the company is supplying is the technical know-how.

The VICE-CHAIRMAN: Can you get that technical know-how for less than 5 per cent any place?

Mr. WRIGHT: That technical know-how can be hired by the government. The company is not taking any risk whatsoever. If they were taking any risk in the matter, I would think they were justified in getting their 10 per cent; but if they are not taking any risk whatsoever, and if the government is paying for a large share of the plant and a large share of the equipment, I cannot see any justification for the 10 per cent.

The VICE-CHAIRMAN: He said five per cent on a target figure. If it went below the target figure then they divided anything below that figure between the government and the company. Am I right, Mr. Low?

The WITNESS: Yes, Mr. Chairman.

The VICE-CHAIRMAN: That five per cent figure is for administration, for know-how, for their technical skills. Five per cent is not unusual, is it?

By Mr. Thatcher:

Q. Well, that is going to enter into the cost whether it is privately owned or owned by the government. That is not a factor, I do not think. Was this building at one time not owned by the government, this Canadair plant?—A. Canadair erected a building of its own at a cost of, I think, over \$2 million to carry out this project.

Q. Did the government at any time own the Canadair buildings?—A. Yes, I think there was one building there, the old Noorduyt plant, was taken over by the Crown and enlarged by the Crown during the war.

Q. So really they owned the whole thing at one time?

The VICE-CHAIRMAN: Did I understand you to say, Mr. Low, that for the purpose of this contract Canadair erected a \$2 million plant?

The WITNESS: That is correct.

By Mr. Fleming:

Q. At the company's expense?—A. That is right.

Q. In other words, the government did not provide all the plant and equipment?—A. Oh, no. I said that.

Mr. THATCHER: But they provided part of it.

The VICE-CHAIRMAN: Gentlemen, Mr. Low will bring figures here to show exactly what contribution Canadair made and what contribution was made by the government—also information as to the similarity or dissimilarity of prices of F-86's in the United States and in Canada.

Mr. FLEMING: I presume that will go into the allowance for plant and equipment which enters into the cost of production of the F-86's in Canada so that we can compare it with the cost of manufacture in the United States.

Mr. THATCHER: I was going to ask Mr. Low is it government policy against government ownership which has prevented the operation of this plant on this basis?

The WITNESS: I do not think, Mr. Chairman, I should answer on matters of government policy.

The VICE-CHAIRMAN: It is not his question.

Mr. THATCHER: It looks like a phobia to me.

By Mr. Fraser:

Q. What about taking care of breakages and replacements of this government owned equipment? Are they looked after by Canadair or is that looked after by the government?—A. I would have to check the contract; it is all written up in the contract.

Q. The contract that you have at the present time for so many F-86's, is that contract revised at any time? What I mean by that is they are turning out so many, they have a contract for so many, but it is only a certain number. Am I right on that?—A. You are quite correct, this contract has been amended since 1949-50. It has been amended upwards, the quantity has been increased.

Q. It has been increased? Has the target price been changed?—A. I am sorry I cannot answer that definitely without looking up my papers and then again that would bring us right up till today. I was answering questions asked with respect to the period of 1949-50.

The VICE-CHAIRMAN: The witness has given Mr. Fraser the information he wanted. What other answers have you, Mr. Low?

The WITNESS: I was asked to provide a statement with respect to the engaging of consulting engineering and architectural services.

The VICE-CHAIRMAN: At this point I would like to make reference to the minutes of our meetings of May 31, 1951 at page 522. Mr. Nowlan asked for certain information. I will read Mr. Nowlan's request:

Mr. Nowlan: On this return to which reference has been made, on page 292, could we have the amount for these various services, such as amounts paid to James Adam and the others which are listed in these pages 292 to 293?

The Chairman: What do you mean by the amount?

Mr. Nowlan: The bills for all the services that were incurred.

Mr. Browne: Actual bills submitted, Mr. Chairman.

I am told that these invoices and vouchers are now in the possession of the clerk and they may be seen at his office at any time by members of the

committee. The Treasury branch have placed them in his custody, for inspection. If someone will pass that information on to Mr. Nowlan he may be interested in looking at them.

Mr. FLEMING: Are they very voluminous, Mr. Chairman?

The VICE-CHAIRMAN: I don't know. They are in the clerk's office. Will you proceed, Mr. Low?

Mr. FLEMING: Is there any statement to summarize the contracts?

The VICE-CHAIRMAN: No, he is merely referring to them.

Mr. FLEMING: Is it just a question of bringing in the vouchers?

The WITNESS: I think perhaps that my answer has to do with the selection. These answers arise out of information contained on pages N-24 and N-38 of the public accounts.

The first contract was for services to prepare designs and produce the required plans and specifications for a company armoury and a two battalion armoury for D.N.D. (army), estimated expenditure \$55,000. The contract for this was awarded on the 29th of March, 1949 to James Adam of 48 Sparks Street, Ottawa, Ontario. James Adam was selected for this work because of the fact that these buildings were of a standard design and would include certain modifications which would be required for certain geographic locations, and further as James Adam was located in the city of Ottawa, a very close liaison could be maintained between the architect and the Department of National Defence.

The next contract covered architectural services and supervision of construction of 240 houses for permanent married quarters, Camp Borden, Ontario, estimated at \$11,000. The contract was awarded to E. C. S. Cox of Islington, Ontario, on August 26, 1949. E. C. S. Cox was chosen for this work because of the fact that this firm prepared the plans and specifications for the construction of these houses. These plans were known as the "Cox House"; further because of the close proximity of the Cox head office to the site, it was considered that the work could be done more efficiently and economically by this firm.

The next contract had to do with architectural and engineering services covering complete plans, working drawings, specifications and bills of material covering structural, architectural, mechanical (including heating, plumbing and ventilation), and electrical work for standard army camp buildings estimated at \$84,000. This contract was awarded to H. W. Lea, 1226 University Street, Montreal, Quebec, on December 28, 1948. H. W. Lea was considered to have the necessary engineering experience, trained personnel and facilities to satisfactorily provide the services required. He was in a position to provide the services required immediately, and it was considered that he could complete the same efficiently and within a minimum of time. Further he was considered to be the engineer in the vicinity in the best position to provide the type of services required.

The next contract had to do with the employment of a survey party required during the summer of 1949 at Camp Shilo, Manitoba to produce information as directed by the camp engineer officer, and in accordance with specifications dated March 3, 1949, actual cost \$5,044.03. This contract was awarded to R. H. Magwood, 69 Horace, Norwood, Manitoba, on April 7, 1949. R. H. Magwood was considered to have the necessary surveying experience, trained personnel and facilities to satisfactorily provide the services required, further he was considered to be the surveyor in the best position to carry out expediently the services required.

The next contract was for the services of a consultant to prepare, design and produce the required plans and specifications and bills of materials for building a permanent barrack block at Currie barracks, Calgary, Alberta, estimated at

\$16,000. This contract was awarded to Main and Rensaa of Edmonton, Alberta on March 23, 1949. Main and Rensaa were considered to be the only firm in the immediate vicinity with the necessary engineering experience, trained personnel and facilities to satisfactorily provide the services required. Further it was considered that this firm could complete the work efficiently within a minimum of time.

The next contract was to provide for the services of a surveyor to carry out a five foot contour survey at Wainwright military camp, Alberta, consisting of approximately 8,650 acres and mapped at a scale of 200 feet to the inch, estimated expenditure \$8,000. The contract was awarded to Photographic Surveys Western Limited, Vancouver, B.C. on February 13, 1950. As this work necessitated the use of survey aircraft, and because Photographic Surveys Western Limited were the only known available firm for this type of work, a contract was negotiated with this firm only.

The next contract was to provide for the services of a consultant engineer to carry out a full survey for the water supply system at Wainwright Military Camp, Alberta, together with preparation of designs, plans, specifications and estimates, estimated expenditure \$10,000. The contract was awarded to Ripley and Associates, Mortlake Block, Edmonton, Alberta on June 3, 1949. Ripley and Associates were considered to be the best firm in the immediate vicinity with the necessary engineering experience, trained personnel and facilities to satisfactorily provide the services required. Further it was considered that this firm could complete the work efficiently within a minimum of time.

The next contract had to do with services of a consultant to prepare, design and produce the required plans, specifications and bills of materials, for a permanent barrack block, R.C.S.M.E. Chilliwack, B.C., estimated at \$16,000. The contract was awarded to Ian R. Morrison, Kamloops, B.C. on March 30, 1949. Ian R. Morrison was considered to be the only architect in the immediate vicinity with the necessary architectural experience, trained personnel and facilities to satisfactorily provide the services required. Further it was considered that this architect could complete the work efficiently within a minimum of time; further, this architect designed and supervised most of the building at R.C.E. Camp at Chilliwack, B.C.

The next contract was for engineering services in connection with the provision of permanent married quarters, (40 houses) at R.C.A.F. Station, Whitehorse, Y.T. including the design and supervision of the construction of roads, sewers and water systems and general development of the site, estimated at \$20,000. The contract was awarded to Main, Rensaa and Minsor, Edmonton, Alberta, on June 12, 1948. Main and Rensaa were considered to have the necessary engineering experience, trained personnel and facilities to satisfactorily provide the services required. They were in a position to provide the services required immediately and it was considered that they could complete the same efficiently and within a minimum of time. Further Main, Rensaa and Minsor were considered to be the only consulting engineers in the vicinity, in a position to carry out these services.

The next contract was to provide architectural services covering the design and development of plans and specifications for a standard school building for general R.C.A.F. construction, estimated at \$27,000. The contract was awarded to Barrott, Marshall, Montgomery and Merritt, Montreal, Quebec on January 20, 1949. Barrott, Marshall, Montgomery and Merritt were considered to have the necessary architectural experience, trained personnel and facilities to satisfactorily provide the services required. This firm was in a position to provide the services immediately and it was considered that it could complete the same efficiently and within a minimum of time. Further, as these buildings were of a standard type which could be constructed anywhere in Canada, the D.N.D.

requested that a firm be engaged at a point no further away than Montreal, so that continuous liaison between the firm and R.C.A.F. maintenance command could be maintained during the development of the designs.

The next contract was to provide for architectural services covering the design and development of complete working drawings for a permanent standard design O.R. quarters building for general R.C.A.F. construction, estimated at \$10,000. The contract was awarded to Barrott, Marshall, Montgomery and Merritt, Canada Cement Building, Montreal, Quebec on January 20, 1949. Barrott, Marshall, Montgomery and Merritt were considered to have the necessary architectural experience, trained personnel and facilities to satisfactorily provide the services required. This firm was in a position to provide the services immediately and it was considered that it could complete the same efficiently, and within a minimum of time. Further, as these buildings were of a standard type which could be constructed anywhere in Canada, the D.N.D. requested that a firm be engaged at a point no further away than Montreal, so that continuous liaison between the firm and R.C.A.F. maintenance command could be maintained during the development of the designs.

The next contract was for architectural services covering the design and development of plans and specifications required for construction of the following buildings of standard design: 1, Combined Mess; 2, 50 Bed Hospital; 3, Fire Hall; 4, Signals Receiver Building; 5, Control Tower, all for general R.C.A.F. construction, estimated at \$47,200. The contract was awarded to Barrott, Marshall, Montgomery and Merritt, Canada Cement Building, Montreal, Quebec, on March, 29, 1949. This firm were considered to have the necessary architectural experience, trained personnel and facilities to satisfactorily provide the services required. This firm was in a position to provide the services immediately and it was considered that it could complete the same efficiently, and within a minimum of time. Further as these buildings were of a standard type which could be constructed anywhere in Canada, the D.N.D. requested that a firm be engaged at a point no further away than Montreal, so that continuous liaison between the firm and R.C.A.F. maintenance command could be maintained during the development of the designs.

The next contract was for engineering services covering development of sketches for approval and complete working drawings, and specifications for the construction of a standard wide span permanent hangar in various stations for general R.C.A.F. construction, estimated at \$30,000. This contract was awarded to Margison and Babcock, 119 Isabella Street, Toronto, Ontario, on January 20, 1949. Margison and Babcock were considered to be the engineering firm with the necessary engineering experience, trained personnel and facilities to satisfactorily provide the services required. This firm was in a position to provide the services immediately, and it was considered that it could complete the same efficiently and within a minimum of time. Further the D.N.D. concurred in our selection. Accordingly negotiations were entered into with Margison and Babcock.

The next contract was for engineering services covering the development of sketches for approval and complete working drawings and specifications for the construction of the following standard design buildings: 1, Equipment Storage Building; 2, Second M.E. Building; 3, Parachute Packing and Drying Tower; 4, Operations Building, all for general R.C.A.F. construction at various sites, estimated expenditure, \$45,000. The contract was awarded to Margison and Babcock, 119 Isabella Street Toronto, Ontario, on March 29, 1949. Margison and Babcock were considered to be the engineering firm with the necessary engineering experience, trained personnel and facilities, to satisfactorily provide the services required. This firm was in a position to provide the services immediately and it was considered that they could complete the same efficiently and within a minimum of time.

It will be noted that architects were engaged to design and produce plans and specifications for the following standard designs:

- (a) A company armoury and a battalion armoury;
- (b) A standard school building for general R.C.A.F. construction;
- (c) A permanent O.R. quarters building for general R.C.A.F. construction;
- (d) A combined mess—a 50 bed hospital—fire hall—signals receiving building—and control tower—all for R.C.A.F. construction.
- (e) A standard wide span permanent hangar for R.C.A.F. construction.
- (f) An equipment storage building—section M.E. building—parachute packing and drying tower and operations building—all for general R.C.A.F. construction at various sites.

The designs of these buildings were such that they could be, with modification, erected at any site desired. It was necessary to select architects in close proximity to N.D.H.Q. where close liaison could be maintained between the architects and National Defence personnel.

It will be noted that these contracts for standard designs were spread between James Adam, Ottawa; Barrott, Marshall, Montgomery and Merritt, Montreal; Margison and Babcock, Toronto, all of whom were located close to N.D.H.Q.

The VICE-CHAIRMAN: What other answers have you?

The WITNESS: The next question, Mr. Chairman, had to do with contracts placed with United States or other foreign suppliers, and the answer to that is, when the commodity required was not manufactured in Canada and could not be obtained from a Canadian agent and when a similar domestic commodity was not acceptable to the Department of National Defence. If the article required was of a kind which had to be manufactured to the Department of National Defence or other government specifications, tenders were invited only from Canadian manufacturers considered to be in a position to manufacture such articles. For example: paints and varnishes, service footwear, service clothing, etc.

If the article required was a trade pattern and no substitute was acceptable to the Department of National Defence, we dealt directly with the manufacturer, if located in Canada. If the article was of foreign manufacture, we dealt with his Canadian agent or distributor, if he had one, otherwise we dealt directly with the manufacturer. A few example commodities are: fork lift trucks, tractors, heavy duty trucks, etc.

If the article specified was a trade pattern of a specific make and type and the Department of National Defence was prepared to consider acceptance of other makes and types, tenders were invited from all known Canadian manufacturers and Canadian agents and distributors of United Kingdom or United States firms manufacturing similar articles. The commodities just mentioned are a few examples.

By Mr. Fleming:

Q. There may be some questions arising out of that. It is a pretty highly condensed statement. There is nothing said there about price. I thought we said something at an earlier meeting about price entering into this question of purchases of equipment that might be available in Canada and which might be available on a competitive basis in the United States or Great Britain. I wonder why there is no mention of that in this statement.—A. I dealt with that point in the first meeting. We are in a strictly competitive market, but at one time we did allow 10 per cent.

Q. That is my point. The statement which has just been read is subject to a certain qualification, it seems to me, in the light of evidence given at an earlier meeting by Mr. Low. Am I right in that?—A. That is correct.

Q. You have not mentioned price in this statement at all this morning.

The VICE-CHAIRMAN: I think that statement has to be read in the light of previous testimony.

The WITNESS: I want to make a correction, Mr. Chairman. I was asked at the last meeting to give figures with respect to our purchases by provinces. I gave those figures out of a statement which was prepared a long time ago. Now I have the exact figures.

By Mr. Fleming:

Q. Is this for the whole fiscal year, this time?—A. Yes.

Q. The other covered only part of the year?—A. Yes.

Q. This is complete?—A. Yes. This is a geographic distribution of orders on behalf of the Department of National Defence, 1949-50; Newfoundland, \$471,615.41; Prince Edward Island, \$491,962.06; Nova Scotia, \$7,334,603.84; New Brunswick, \$2,097,104.44; Quebec, \$81,055,239.53; Ontario, \$89,401,467.04; Manitoba, \$9,600,594.44; Saskatchewan, \$769,759.72; Alberta, \$9,576,802.54; British Columbia, \$8,356,341.73; Yukon, \$3,410,560.43; Northwest Territories, \$37,773.30; Total for Canada \$212,603,824.48.

During that period we made purchases in the United States to the value of \$3,672,894.37, and in the United Kingdom to the value of \$5,261,960.74, making a total of \$221,538,679.59.

By Mr. Thatcher:

Q. Those figures are worse than the ones you gave us last week as far as Saskatchewan is concerned. This shows that the Yukon got five times as much as we got in Saskatchewan. I suppose you would not have any further comment to make on why Saskatchewan got such an infinitesimal portion?—A. I think I already mentioned that this business was carried out on a strictly competitive basis. Firms in all provinces were given an opportunity to tender, and we bought in the lowest market.

Q. Regardless of freight rates and other considerations?—A. Regardless of freight rates. We bought in the cheapest market at laid-down prices.

Q. Do you mean to tell me we could not have sold you, for instance, meat, and things for the armed forces just as cheaply as some other provinces?—A. You did, sir, we buy meat all the time, even here in Ottawa, that comes from the West, but there figures do not reflect that.

Q. What can the Yukon sell cheaper than we can, for instance?—A. For the most part those were petroleum products purchased in the Yukon.

Q. Bought for defence forces up there?—A. That is right.

Q. Well, I do not know but it looks like discrimination to me.

Mr. SINCLAIR: If you look at it this way, industrial regions in Canada such as Ontario and Quebec are in a better position to bid on these materials than are the agricultural areas of Saskatchewan, and besides the provinces like Saskatchewan are going to be in a better position to get a larger share of the \$65 million handed out than will Ontario and Quebec.

The VICE-CHAIRMAN: Everybody gets in their pokes here!

Mr. WRIGHT: The hon. member has just referred to the \$65 million handed out. I think it is about time that members of the House of Commons and members of this committee stop talking about \$65 million being handed out after what we heard yesterday with regard to the subsidies given the newspapers and subsidies on other things being handed out in Eastern Canada. I think it is time that the member of this committee, who is parliamentary assistant to the minister, should quit passing that type of remark.

Mr. SINCLAIR: The only reason why I used that phrase is that that is the phrase used by the member from Moose Jaw.

Mr. THATCHER: Well, we really got hosed on those contracts.

The VICE-CHAIRMAN: Gentlemen, gentlemen, order, now.

Mr. FLEMING: May I draw attention to another aspect which it seems to me others have mentioned—your figures are based simply on the end product you are buying. These figures do not in any sense reflect the location from which the raw materials come from that enter into this end product. I was just wondering if you could build up figures on this basis. It seems to me these are of very limited value in appreciating the distribution of the orders in terms of original sources of the raw materials.

The WITNESS: This point, I may say, Mr. Chairman, was discussed at the last meeting, and I stated then that it would be impossible, in my opinion, to trace back all these commodities to their origin, to raw materials. These figures that I have presented represent the contracts awarded to companies in the various provinces. It is quite true that contracts awarded to a company in the province of Ontario may be performed in the province of Quebec and so on. I do not know of any simple method of breaking a statement like that down to show just where the products originate.

The VICE-CHAIRMAN: Have you any other answers?

Gentlemen, it is ten minutes to one. Some of you may wish to go down to the House to see what is going to be on at 3.00 o'clock. I think this would be a good time to adjourn. We will meet at Thursday at 11.30.

—The committee adjourned.

APPENDIX "A"

Returns tabled by the Department of National Defence in compliance with requests made by the committee in the course of the examination of Mr. C. M. Drury, Deputy Minister, and of Mr. A. Ross, Associate Deputy Minister, viz.:

<i>Item</i>	<i>Particulars</i>
1.	Compensation payable in respect of claims against the Crown—Page 415, Meeting No. 15, May 22, 1951. (Page N. 27 of Public Accounts).
2.	Breakdown of the item "Professional Services" Page 415, Meeting No. 15, May 22, 1951. (Page N. 27 of Public Accounts).
3.	Education of children, number of teachers, number of children attending service schools and number for whom non-resident school fees are paid. Page 416—Meeting No. 15, May 22, 1951.
4.	Northwest Highway System—details of cost and maintenance—Page 421, Meeting No. 15, May 22, 1951.
5.	Married Quarters—Cost at various locations—Page 427—Meeting No. 15, May 22, 1951.
6.	Construction contracts which have not been completed or performed to the satisfaction of the department—Page 447, Meeting No. 16, May 24, 1951.
7.	Requests for use of RCAF aircraft which were not granted—Page 471, Meeting No. 17, May 29, 1951.
8.	Breakdown of Miscellaneous Expenses, Navy—Page 481, Meeting No. 17, May 29, 1951. (Page N. 32 of Public Accounts).
9.	Payments on Construction and Maintenance in the Province of Saskatchewan for the fiscal year 1948-49—Page 488, Meeting No. 17, May 29, 1951.
10.	Helicopter Aircraft held during 1949-50—Page 506, Meeting No. 18, May 31, 1951.
11.	W. O. Smith—sentence served and attempt at collection of defalcation—Page 507—Meeting No. 18, May 31, 1951. (Page N. 45 of Public Accounts).
12.	Details of uncollectible items—Page 508—Meeting No. 18, May 31, 1951. (Page N. 45 of Public Accounts).
13.	Additional information concerning extramural research grants—Page 511, Meeting No. 18, May 31, 1951. (Pages N. 46 and N. 47 of Public Accounts).
14.	Prisoners of War—Page 513, Meeting No. 18, May 31, 1951. (Page N. 47 of Public Accounts).
15.	Statement of travelling expenses of civil personnel who receive allowances in excess of \$2,000—Page 516, Meeting No. 18, May 31, 1951. (Page N. 49 of Public Accounts).
16.	Amount paid to Bell Telephone Co. in 1948-49 and cost of long distance telephone calls in 1949-50—Page 519, Meeting No. 18, May 31, 1951. (Page N. 55 of Public Accounts).
17.	Payment to Canadian Commercial Corporation—Page 520—Meeting No. 18, May 31, 1951. (Page N. 56 of Public Accounts).
18.	Payments to architectural and engineering firms—Page 522, Meeting No. 18, May 31, 1951.

NOTE: *Public Accounts referred to above are those for the fiscal year ended 31st March, 1950.*

Details follow

Item No. 1

1949-1950

Compensation payable in respect of Claims against the Crown Page N-27 Public Accounts

Date 1949	Payee	Amount	Particulars
May	Ray Wilson & Western Union		
	Insurance	222.91	Motor vehicle accident—Repairs
	D. LaGreca	65.00	Motor vehicle accident—Repairs
	E. D. Duxbury	19.76	Motor vehicle accident—Repairs
	Atkins Stage Lines Ltd.	339.57	Motor vehicle accident—Repairs
	E. J. Jones	79.10	Motor vehicle accident—Repairs
	J. K. Cornwell	64.39	Motor vehicle accident—Repairs
	Canadian Ntl. Railways	6.00	Motor vehicle accident—Repairs
	Quebec Rly Light & Power Co. .	62.19	Motor vehicle accident—Repairs
	J. P. Bird	35.40	Motor vehicle accident—Repairs
	F. O'Grady	95.68	Motor vehicle accident—Repairs
	F. C. Anderson and General Accident Assurance	149.80	Motor vehicle accident—Repairs Maritime Incident
	Shantymens Christian Assn. ...	31.18	Collision at sea—Repairs
	North America Pacific Delivery Service	109.20	Motor vehicle accident—Repairs
	Pharmacie Royale	41.96	Motor vehicle accident—Repairs
	Department of Public Works N.B.	12.00	Motor vehicle accident—Damage to highway guard posts
	Deluxe Motors	184.50	Motor vehicle accident—Repairs
	Con. Oil Cos. Ltd.	113.83	Motor vehicle accident—Repairs
	John Beakey	161.10	Motor vehicle accident—Repairs
	Arthur Clinton	178.15	Motor vehicle accident—Repairs
	E. Ivanic	45.00	Motor vehicle accident—Repairs
	G. Hume	80.00	Motor vehicle accident—Repairs
	Vincent Turple	45.00	Motor vehicle accident—Repairs
	General Exchange Insurance Corp. and Peter Duda	265.97	Motor vehicle accident—Repairs
	W. H. Slavin	38.62	Motor vehicle accident—Repairs
	Mrs. Janet C. Pattee	52.87	Motor vehicle accident—Repairs
	George N. Downey	86.10	Motor vehicle accident—Repairs
	D. Cramm, Wawanesa Mutual .	975.75	Motor vehicle accident—Repairs
	Gerald Marsh	70.28	Motor vehicle accident—Repairs
	J. M. Barron	107.67	Motor vehicle accident—Repairs
	Romualdo E. Crimeni	42.40	Motor vehicle accident—Repairs
	Alfred Anderson	10.00	Damage to Real Property by DND vehicle
	Ottawa Transportation		
	Commission	9.74	Motor vehicle accident—Repairs
	Autobus Lemelin	37.24	Motor vehicle accident—Repairs
	John S. Oliver	50.64	Motor vehicle accident—Repairs
	R. Meunier	17.64	Motor vehicle accident—Repairs
	Elude Parent	1,100.00	Injuries due to burns
June	B.C. Electric	877.02	Motor vehicle accident—Repairs
	Mrs. G. R. Hallman	59.50	Motor vehicle accident—Injuries
	Mrs. G. H. Moody	5.00	Motor vehicle accident—Injuries
	Dr. Paul E. Beaulieu	116.11	Motor vehicle accident—Repairs
	Quaker Oats Co. Ltd.	25.00	Motor vehicle accident—Repairs
	Clifford F. Daley	93.00	Motor vehicle accident—Repairs
	Cpl. P. Mancino	105.00	Motor vehicle accident—Repairs

Date 1949	Payee	Amount	Particulars
June	Arnprior Hydro Electric Comm.	92.55	Motor vehicle accident—Repairs
	American Automobile Institute	94.59	Motor vehicle accident—Repairs
	Major R. C. Mellow	343.75	Motor vehicle accident—Repairs
	Daniel M. Veaudrie	48.00	Motor vehicle accident—Repairs
	Marquette Automobile Inc.	70.84	Motor vehicle accident—Repairs
	Yellow Cab Co. Ltd.	534.47	Motor vehicle accident—Repairs
	H. G. Beattie	12.00	Motor vehicle accident—Repairs
	J. Herdman	18.00	Motor vehicle accident—Repairs
	George Clark	8.50	Motor vehicle accident—Repairs
	Bell Telephone Co.	55.70	Motor vehicle accident—Repairs
	E. F. Digney	60.00	Motor vehicle accident—Repairs
	S/S R. H. Boyd	15.00	Motor vehicle accident—Repairs
	Ralph Morin	34.75	Motor vehicle accident—Repairs
	Richard Lowe	8.50	Motor vehicle accident—Repairs
	Mrs. Eric Ramsden	311.00	Motor vehicle accident—Injuries
	Metropolitan Serv. Incorp.	459.84	Motor vehicle accident—Repairs
July	Boys Farm Training School, Magee, O'Donnell & Byers and J. Alexander Prudhomme	86,723.20	Minutes of Evidence & Proceed- ings (Public Accounts) #13, May 15, 1951, p. 373
	Lt. G. A. Gunton	9.25	Motor vehicle accident—Repairs
	H. L. Cronk	10.00	Motor vehicle accident—Repairs
	Ville de Victoriaville	23.44	Motor vehicle accident—Repairs
	W. A. Smith	48.06	Motor vehicle accident—Repairs
	Graham Jones	56.35	Motor vehicle accident—Repairs
	Canada Dry Ginger Ale Ltd.	47.90	Motor vehicle accident—Repairs
	Winnipeg Electric Co.	252.19	Motor vehicle accident—Repairs
	Montreal Tramways Ltd.	9.00	Motor vehicle accident—Repairs
	Durance and Maltham and W. N. Holtzhauer	121.00	Motor vehicle accident—Repairs
	Napoleon A. Belleau	43.09	Motor vehicle accident—Repairs
	Graham Latter	12.00	Motor vehicle accident—Repairs
	Capt. W. N. White	15.51	Motor vehicle accident—Repairs
	E. Laurin Gen'l Exchange Insurance Corp. H. A. Death	99.62	Motor vehicle accident—Repairs
	Fernand Mongeau	60.00	Motor vehicle accident—Repairs
	Dr. L. R. Rabson	455.82	Motor vehicle accident—Repairs
	Reginald Coull	72.08	Motor vehicle accident—Repairs
	B. Slipacoff	22.85	Motor vehicle accident—Repairs
	H. Moser	118.80	Motor vehicle accident—Repairs
	U. Sharples	5.00	Motor vehicle accident—Repairs
	George Loranger	105.50	Motor vehicle accident—Repairs
	John Yurchevich	66.95	Motor vehicle accident—Repairs
	B.C. Provincial Police Dept. ..	7.00	Motor vehicle accident—Repairs
	Mrs. H. A. Paice	11.60	Motor vehicle accident—Repairs
	Robert Belzile	65.29	Motor vehicle accident—Repairs
	Hexter Taxi National Cab	162.59	Motor vehicle accident—Repairs
	J. G. McGernon	82.45	Motor vehicle accident—Repairs
	William T. Baker	215.85	Motor vehicle accident—Repairs
	Montreal Tramways Ltd.	220.76	Motor vehicle accident—Repairs
August	P. H. Bennett	65.00	Motor vehicle accident—Repairs
	Workmen's Compensation Board	78.42	Motor vehicle accident—Injuries
	Zurich General Accident & Liability Insurance Co.	113.12	Motor vehicle accident—Repairs
	H. G. Rivenburg	53.50	Motor vehicle accident—Repairs
	C. H. Couse and W. M. Couse & Sons Ltd.	25.00	Motor vehicle accident—Repairs
	Daniel Revie Walker	73.85	Damage due to trees falling on car

Date 1949	Payee	Amount	Particulars
August	Ann Wilchow & Pearl Underwriters' Agency	139.85	Motor vehicle accident—Repairs
	Service Fire Co. New York	334.67	Motor vehicle accident—Repairs
	Cdn. Acceptance Corp and Alexandre Beaulne and Foster Hannen Watt & Strikeman ..	145.00	Motor vehicle accident—Repairs
	Leboff Corp. and United Nat'l Indemnity Corp.	73.39	Motor vehicle accident—Repairs
	Leboff Corpn.	50.00	Motor vehicle accident—Repairs
	Andre Desjardins	351.00	Motor vehicle accident—Repairs
	R. J. McLaughlin	14.00	Motor vehicle accident—Repairs
	Carwill Transport Ltd.	1,096.78	Motor vehicle accident—Repairs
	Hugh Davidson	15.00	Motor vehicle accident—Repairs
	Pictou County Power Boat	160.77	Motor vehicle accident—Repairs
	Erskine D. Struthers	40.00	Motor vehicle accident—Repairs
	Gerald Day	74.85	Motor vehicle accident—Repairs
	Jackson's Bakeries Ltd.	500.00	Motor vehicle accident—Repairs
	Leander Hofman & Can. Security Assurance Co.	515.50	Motor vehicle accident—Repairs
	W. C. MacLean	49.00	Damage due to tree falling on car
	R. A. Coulter	30.00	Damage due to tree falling on car
	Canadian Industries Ltd.	25.00	Motor vehicle accident—Repairs
	E. Olivier	31.70	Motor vehicle accident—Repairs
	T. Smyth	24.16	Motor vehicle accident—Repairs
	Lionel Robillard	18.50	Motor vehicle accident—Repairs
	W. G. Elder	53.81	Motor vehicle accident—Repairs
	Canadian National Railways ..	2.26	Motor vehicle accident—Repairs
	Dept. of Highways Ontario	9.90	Damage to highway guard rail—motor vehicle accident
	City Cab Ltd.	276.57	Motor vehicle accident—Repairs
	Eugene Gagne	14.20	Motor vehicle accident—Repairs
	Helen Belaski and H. R. Fretwell	4,569.05	Injuries arising out of the explosion of a 3-inch mortar phosphorous bomb
	Louis Furano	56.50	
	F. W. Southoff	25.24	
	Mrs. Emily Marsland	40.00	Motor vehicle accident—Injuries
September	F. F. Doherty	45.92	Motor vehicle accident—Repairs
	Wolfe Stevedores Ltd. and U.S. Fidelity and Guarantee Corp.	69.33	Motor vehicle accident—Repairs
	City of Verdun Quebec	45.00	Motor vehicle accident—Repairs
	London Checker Taxi Cab Service Co. Ltd.	54.40	Motor vehicle accident—Repairs
	Russell Embury	81.05	Motor vehicle accident—Repairs
	Jack L. Diamond	101.69	Motor vehicle accident—Repairs
	J. G. Lamontagne	190.06	Motor vehicle accident—Repairs
	Savoy Theatre and Chris Georgas	159.60	Motor vehicle accident—Repairs
	City of Ottawa	5,798.18	Minutes of Evidence & Proceedings (Public Accounts) No. 13, May 15, 1951, p. 374
	Ray N. Delmage	12.00	Motor vehicle accident—Repairs
	K. A. Baldwin	187.15	Motor vehicle accident—Repairs
	Rene Lelievre	58.25	Motor vehicle accident—Repairs
	Lucien Ladoucer	25.00	Motor vehicle accident—Repairs
	First Narrows Bridge Co.	178.58	Damage done to bridge by DND vehicle
	Douglas E. Grace	30.25	Motor vehicle accident—Repairs

Date 1949	Payee	Amount	Particulars
September	{ Eastern Townships Tele. Co. ..	27.34	Damage done to power line by DND vehicle
	{ Town of Coaticook	35.00	Damage done to power line by DND vehicle
	J. E. Isabelle	165.09	Motor vehicle accident—Repairs
	S. S. Magoffin Co.	15.40	Motor vehicle accident—Repairs
	J. Brierley and Ryerson Institute of Technology	135.86	Motor vehicle accident—Repairs
	Ryerson Institute Technology ..	5.00	Motor vehicle accident—Repairs
	Shiriffs Ltd.	283.45	Motor vehicle accident—Repairs
	Stewart Bottling Co. Ltd.	55.00	Motor vehicle accident—Repairs
	Reg. V. Spencer	577.85	Motor vehicle accident—Repairs
	Gays Taxi Ltd.	413.84	Motor vehicle accident—Repairs
	S Lt. W. Beckett	40.00	Motor vehicle accident—Repairs
	British American Oil Co.	10.00	Motor vehicle accident—Repairs
	Harvey Cohen	47.50	Motor vehicle accident—Repairs
	Vincent Kelly	7.00	Motor vehicle accident—Repairs
	Hydro Electric Power Com. ...	41.90	Motor vehicle accident—Repairs
	Wonder Bakeries Ltd.	284.95	Motor vehicle accident—Repairs
	A. Fradet	27.78	Motor vehicle accident—Repairs
	Major J. A. G. Sevigny	37.00	Motor vehicle accident—Repairs
	Dr. A. W. Phin	7.00	Motor vehicle accident—Repairs
	S. E. Parker	106.95	Motor vehicle accident—Repairs
	Lionel Bleau	52.00	Motor vehicle accident—Repairs
	Frank Ellis	12.00	Motor vehicle accident—Repairs
	Hydro Electric Power Comm. ..	56.10	Damage to power line
	A. J. Rees	136.19	Motor vehicle accident—Repairs
	Mrs. M. G. Morris	90.50	Motor vehicle accident—Repairs
	City of Regina	617.35	Motor vehicle accident. Damage to streetcar—Repairs
	Montreal Plumbing Co. and General Exchange Insurance Corp.	421.50	Motor vehicle accident—Repairs
	Quinn Cartage Co.	62.50	Motor vehicle accident—Repairs
	Elder V. Rowe and Dominion Can. General Insurance	173.87	Motor vehicle accident—Repairs
	R. Toussaint Ahelo	83.71	Motor vehicle accident—Injuries
	John and Mary Stefaniuk	105.85	Motor vehicle accident—Injuries
	British American Oil Co.	35.25	Motor vehicle accident—Repairs
	W. H. Taylor and F. B. Bagshaw	21.00	Damage incurred by anti-aircraft drill
October	Raymond Bourbeau and Dr. Francois Archambault	8.00	Motor vehicle accident—Injuries
	Capt. J. T. Carpenter	40.25	Motor vehicle accident—Repairs
	John Geddes	92.05	Motor vehicle accident—Repairs
	Charles A. Wilson	21.00	Motor vehicle accident—Repairs
	Gerard Morin	118.44	Motor vehicle accident—Repairs
	A. J. Macdonald	340.00	Motor vehicle accident—Repairs
	T. Husband Transport	25.40	Motor vehicle accident—Repairs
	Pembroke Electric Light Co. ..	31.67	Motor vehicle accident—Repairs
	Canadian National Railways ...	15.09	Motor vehicle accident—Repairs
	Ludwig G. Helm	50.00	Motor vehicle accident—Repairs
	Canadian Surety Company	56.63	Motor vehicle accident—Repairs
	Clovis Boucher	362.07	Motor vehicle accident—Repairs
	Gibbs Club	12.75	Motor vehicle accident—Repairs
	Dr. H. G. Ross	971.14	Motor vehicle accident—Repairs
	J. M. McCallister	44.03	Motor vehicle accident—Repairs
	James Forbes	68.50	Motor vehicle accident—Repairs
	Furby Motors	82.95	Motor vehicle accident—Repairs

Date 1949	Payee	Amount	Particulars
October	Florent Gauthier	44.94	Motor vehicle accident—Repairs
	Laporte Cartage Co.	325.00	Motor vehicle accident—Repairs
	Roy Lobb, Lydia Lobb and A. M. McIntyre	15,000.00	Minutes of Evidence & Proceed- ings (Public Accounts) #15, May 22, 1951, p. 409.
	Northern Assurance Co. Ltd. ...	117.77	Motor vehicle accident—Repairs
	Mrs. Bertha Cohen	50.00	Motor vehicle accident—Repairs
	L. E. Graham	25.00	Motor vehicle accident—Repairs
	Northern Assurance Co. Ltd. ..	144.01	Motor vehicle accident—Repairs
	City of Verdun	63.44	Motor vehicle accident—Repairs
	Canadian Pacific Railway Co. ..	95.61	Motor vehicle accident—Repairs
	Mrs. Margaret Millar	19.00	Gunfire damages during exercise
	Mrs. I. M. Giolma	10.00	Gunfire damages during exercise
	William Horace Ryan	6.53	Gunfire damages during exercise
	Charlton Leroy Smith.....	25.00	Gunfire damages during exercise
	Lt. C. R. Searle	25.40	Motor vehicle accident—Repairs
	Leo Smith	149.60	Motor vehicle accident—Repairs
	H. G. Dewolf	223.70	Motor vehicle accident—Repairs
	Rev. John F. Dempster	4.10	Motor vehicle accident—Repairs
	Mrs. Ida Patry	266.63	Motor vehicle accident—Repairs
	W. R. Kernohan Lumber & Sash	381.32	Motor vehicle accident—Repairs
	Girouard Limousines deLuxe Inc.	10.50	Motor vehicle accident—Repairs
	Capt. W. C. Warren	32.00	Motor vehicle accident—Repairs
	L. Bingham and Co.	4,983.44	Motor vehicle accident—Injuries
November	Ronald Kuzyk	56.20	Motor vehicle accident—Repairs
	Mrs. Clara Vosbeck	12.49	Motor vehicle accident—Repairs
	Ernest Lebrun	20.00	Motor vehicle accident—Repairs
	N. F. McKenzie	35.85	Motor vehicle accident—Repairs
	Leo Holmberg	72.75	Damage to property during exercise "Eagle"
	I. C. McLellan	52.50	Damage to property during exercise "Eagle"
	Aubrey L. Kirby	26.25	Motor vehicle accident—Repairs
	Calgary Transit System	54.30	Motor vehicle accident—Repairs
	Middlesex Fruit Co.	24.50	Motor vehicle accident—Repairs
	B. McCallister	78.86	Motor vehicle accident—Repairs
	Mrs. Albert Maurice	15.00	Motor vehicle accident—Repairs
	Albert Lavallee	15.40	Motor vehicle accident—Repairs
	Rene Lagace	18.50	Motor vehicle accident—Repairs
	Valmore M. Gauthier	232.96	Motor vehicle accident—Repairs
	Thomas Wilde	30.00	Damage to property during exercise "Eagle"
	Samuel Davies	75.20	Damage to property during exercise "Eagle"
	A. A. Holmberg	115.00	Damage to property during exercise "Eagle"
	C. E. Conrad	23.00	Motor vehicle accident—Repairs
	Mrs. Georges Paquet	12.29	Motor vehicle accident—Repairs
	T. H. Butler	70.00	Motor vehicle accident—Repairs
	Cecil Gordon	15.00	Motor vehicle accident—Repairs
	Brady and Harris Residence	46.25	Motor vehicle accident—Repairs
	C. Marcoux	5.00	Motor vehicle accident—Repairs
	J. Hetherington	75.00	Motor vehicle accident—Repairs
	R. Dempsey	15.00	Damage to property during exercise "Big Horn"
	National Harbours Board	33.42	Motor vehicle accident—Repairs
	Keith Robert Johnson.....	1,167.68	Motor vehicle accident—Repairs
	Mrs. E. E. Gamble	12.50	Motor vehicle accident—Repairs

Date 1949	Payee	Amount	Particulars
November	J. E. Liboiron	164.20	Motor vehicle accident—Repairs
	Maritime Telegraph Telephone Co. Ltd.	172.80	Motor vehicle accident—Repairs
	Calgary Transit System	50.53	Motor vehicle accident—Repairs
	Howard Schreyer	5.00	Damages to property during exercise "Big Horn"
	Alf Bacon	5.00	Damages to property during exercise "Big Horn"
	Armand Gascone	65.50	Motor vehicle accident—Repairs
	Alexandre Tremblay	179.96	Motor vehicle accident—Repairs
	Mrs. Frank Storey, Sarah E. A. Storey and Preston L. B. Storey	100.00	Gunfire damages during exercise
	Percy C. Beck	25.00	Gunfire damages during exercise
	Frederic W. Sanders	16.00	Gunfire damages during exercise
	Emile Langlois	25.43	Motor vehicle accident—Repairs
	M. J. Kelly	18.00	Motor vehicle accident—Repairs
	Oscar Riel	51.54	Motor vehicle accident—Repairs
	Orville Newby	19.20	Motor vehicle accident—Repairs
	William W. Essery	50.00	Motor vehicle accident—Repairs
	J. C. Potts	24.00	Motor vehicle accident—Repairs
	Hydro Electric Power Comm. Ont.	131.20	Motor vehicle accident—Repairs
	Harold Anderson	28.30	Motor vehicle accident—Repairs
	Joe Trca	95.00	Damages to property during exercise "Eagle"
	Wallace Barnes Co. Ltd.....	55.01	Motor vehicle accident—Repairs
	Vininsky Bros. Goodis C.....	374.33	Motor vehicle accident—Repairs
	Charles Gagnon	48.00	Damage to property by DND vehicles
	William Harold Vaughan.....	1,500.00	Personal Injuries
	Ernest Russel Ebbinghaus.....	1,250.00	Motor vehicle accident—Injuries
	Alexandre Tremblay	172.50	Motor vehicle accident—Injuries
December	Charles M. Smith	44.85	Motor vehicle accident—Repairs
	Kingston City Coach Co.	64.76	Motor vehicle accident—Repairs
	A. A. Long	25.00	Damages to property during exercise "Big Horn"
	Kathleen Brandwood	18.34	Motor vehicle accident—Repairs
	G. V. Haythorne	84.62	Motor vehicle accident—Repairs
	Mrs. Israel Vaillancourt	14.83	Motor vehicle accident—Repairs
	Michea Motors Ltd.	189.32	Motor vehicle accident—Repairs
	Ernest McBain	50.00	Damage to property by Army personnel
	J. A. V. Auger	15.00	Motor vehicle accident—Repairs
	Sheridan Equipment Co. Ltd. ..	452.61	Motor vehicle accident—Repairs
	Philippe Fontaine	253.61	Motor vehicle accident—Repairs
	Remi Raymond	114.42	Motor vehicle accident—Repairs
	Ernest Galarneau	107.46	Motor vehicle accident—Repairs
	Stephen Boczar	78.24	Motor vehicle accident—Repairs
	Mr. Leo Haber	13.00	Motor vehicle accident—Repairs
	Mrs. Alice Stephen	29.98	Motor vehicle accident—Repairs
	T. C. Fleming	68.58	Motor vehicle accident—Repairs
	Ottawa Typewriter Co.	86.95	Motor vehicle accident—Repairs
	Major J. A. Hilliard	63.89	Motor vehicle accident—Repairs
	Charles Gagnon	115.00	Damage to property by DND vehicles
	Gregoire Tardif	265.40	Motor vehicle accident—Repairs
	Mrs. B. E. Ruskin	44.35	Motor vehicle accident—Repairs

Date 1949	Payee	Amount	Particulars
December	Donald Depew	20.00	Motor vehicle accident—Repairs
	Vancouver Island Coach Lines .	6.34	Motor vehicle accident—Repairs
	T. E. Shultz	211.50	Motor vehicle accident—Repairs
	Western Parcel Service Ltd.	939.85	Motor vehicle accident—Repairs
	Donald Valentine	27.50	Motor vehicle accident—Repairs
1950			
January	Abbe L. P. Caron	26.24	Motor vehicle accident—Repairs
	Robert L. Manuel	156.40	Motor vehicle accident—Repairs
	Michigan State Bridge Commission	245.81	Motor vehicle accident—Repairs
	Robert E. Godin	57.70	Motor vehicle accident—Repairs
	Johnson and Higgins Canada Ltd.	546.81	Maritime Incident Fire Damage— Vancouver Island (General average)
	W. R. Williams and J. J. McKen	128.27	Motor vehicle accident—Repairs
	T. L. Cameron	16.40	Motor vehicle accident—Repairs
	Julius Chiefitz	38.75	Motor vehicle accident—Repairs
	H. L. Lancaster	38.50	Motor vehicle accident—Repairs
	Fred Davis	53.45	Motor vehicle accident—Repairs
	Pierre Richard	25.00	Motor vehicle accident—Repairs
	Dumais Ltd.	98.82	Motor vehicle accident—Repairs
	Bertrand Simard	71.02	Motor vehicle accident—Repairs
	Percy Kelly	150.00	Motor vehicle accident—Repairs
	Canadian Breweries Transport ..	65.00	Motor vehicle accident—Repairs
	R. F. Tolmie	79.95	Motor vehicle accident—Repairs
	Gatineau Power Co.	99.28	Motor vehicle accident—Repairs
	K. W. Ball	17.90	Motor vehicle accident—Repairs
	Johnson & Higgins Canada Ltd.	1,435.69	Maritime Incident Stranding of "SS Iron Wood"— damages (General average)
	A. Belmonte	143.57	Motor vehicle accident—Repairs
	Morgan Realities Ltd.	58.00	Motor vehicle accident—Repairs
	Bell Telephone Co.	52.25	Damage to telephone line
	H. Pesner	10.00	Motor vehicle accident—Repairs
	E. J. Hollingsworth	50.00	Loss of registered parcel
	Capt. V. R. Langrill Simpson ..	32.00	Motor vehicle accident—Repairs
	City of Red Deer	36.24	Motor vehicle accident—Repairs
	George Walsh	16.15	Motor vehicle accident—Repairs
	Frank Lock	11.66	Motor vehicle accident—Repairs
	Russel Boutilier and Western Union Telegraph	234.00	Motor vehicle accident—Injuries
	Russel Boutilier	120.00	Motor vehicle accident—Injuries
February	David St. Vincent	981.64	Aircraft damage to property
	Atlas Assurance Co. Ltd.	266.97	Aircraft damage to property
	Rubin Bercovitch	62.00	Aircraft damage to property
	Harry Robins	5.00	Aircraft damage to property
	Lloyd Baldwin	46.75	Motor vehicle accident—Repairs
	Canadian Fairbanks Morse Co. Ltd.	24.28	Motor vehicle accident—Repairs
	Leslie Chard	10.50	Motor vehicle accident—Repairs
	Winnipeg Electric Co.	14.37	Motor vehicle accident—Repairs
	A. Olsen	57.69	Motor vehicle accident—Repairs
	Bell Telephone Co.	67.95	Motor vehicle accident—Repairs
	A. March	76.00	Motor vehicle accident—Repairs
	Lino D. Perin	31.70	Motor vehicle accident—Repairs
	Salisbury House Ltd.	19.00	Motor vehicle accident—Repairs

Date 1950	Payee	Amount	Particulars
February	National Specialty Co.	27.05	Motor vehicle accident—Repairs
	Nova Scotia Light & Power Co.	15.24	Damage to power line
	F. Lionel Peckover	18.45	Motor vehicle accident—Repairs
	John Cowley	64.40	Motor vehicle accident—Repairs
	Sgt. J. G. Strain	43.90	Motor vehicle accident—Repairs
	Alexander J. Thomas	96.40	Motor vehicle accident—Repairs
	Jack W. Abel	30.25	Motor vehicle accident—Repairs
	A. E. Dickson	40.75	Motor vehicle accident—Repairs
	Dr. R. McGibbon	116.66	Motor vehicle accident—Injuries
	Canadian National Rys.	409.37	Motor vehicle accident—Repairs
	Babson Bros. Co. Can. Ltd. ...	50.68	Motor vehicle accident—Repairs
	City of Vancouver	98.21	Motor vehicle accident—Repairs
	Mr. and Mrs. S. Sweetman	82.50	Motor vehicle accident—Repairs
	Montreal Tramways Co.	11.50	Motor vehicle accident—Repairs
	W. K. Pidgeon	54.78	Motor vehicle accident—Repairs
	Rochon and Parent Co. Ltd. ...	17.11	Motor vehicle accident—Repairs
	Donat Savaria	328.51	Motor vehicle accident—Repairs
	Harry Chernick	191.99	Motor vehicle accident—Repairs
	Leo Shirley	51.53	Motor vehicle accident—Repairs
	Dept. of Highways Ontario	5.57	Motor vehicle accident—Repairs
	Iver Annebo	68.10	Motor vehicle accident—Repairs
	George Ross Hubley	47.40	Motor vehicle accident—Repairs
	Mrs. Edith Atkinson	88.86	Motor vehicle accident—Repairs
	E. J. Woolley	12.00	Motor vehicle accident—Repairs
	Henri Arthur Dutil	337.00	Motor vehicle accident—Repairs
	Guaranteed Society Ltd.	150.59	Motor vehicle accident—Repairs
	Rita E. Ives	110.55	Motor vehicle accident—Repairs
	Wallace H. Keiner	244.75	Motor vehicle accident—Repairs
	John McLellan	268.65	Motor vehicle accident—Repairs
	Archille Lacombe	807.00	Motor vehicle accident—Injuries
March	Negro and Anselmo Ltd.	61.14	Motor vehicle accident—Repairs
	Emily E. Moore	110.50	Motor vehicle accident—Repairs
	Peter Georgeson	50.50	Motor vehicle accident—Repairs
	Sgt. W. M. Johnston	92.60	Motor vehicle accident—Repairs
	Sgt. T. R. Deegan and Progres- sive Insurance Co. Can. ...	55.75	Motor vehicle accident—Repairs
	Gerard Bergeron	131.42	Motor vehicle accident—Repairs
	Herman Tremblay	116.77	Motor vehicle accident—Repairs
	WO.1 G. Wilkinson	16.00	Damage to vehicle caused by falling gravel
	Robert Wilson	200.43	Motor vehicle accident—Repairs
	Mrs. P. Weinstein	34.65	Motor vehicle accident—Repairs
	H. V. Fellows and Co.	96.75	Motor vehicle accident—Repairs
	British American Oil Co.	122.41	Motor vehicle accident—Repairs
	H. S. Hunnisett Co.	109.07	Motor vehicle accident—Repairs
	Winnipeg Electric Co.	6.47	Motor vehicle accident—Repairs
	David L. Blackhall	560.42	Motor vehicle accident—Repairs
	A. S. Norby	109.50	Motor vehicle accident—Repairs
	R. W. Rudd	17.50	Damage to vehicle by paint, spray
	Daniel R. Dunn	108.56	Motor vehicle accident—Repairs
	J. O. Beaulieu	39.50	Motor vehicle accident—Repairs
	T. Y. O'Neill	76.00	Motor vehicle accident—Repairs
	Diesel Equipment Ltd.	8.00	Motor vehicle accident—Repairs
	Capt. J. E. Laflamme	20.46	Motor vehicle accident—Repairs
	Capt. D. K. Brown	50.96	Motor vehicle accident—Repairs
	Arthur Desforges	92.19	Motor vehicle accident—Repairs
	W. M. Power	50.00	Motor vehicle accident—Repairs
	G. H. Trudel	76.33	Motor vehicle accident—Repairs

Date 1950	Payee	Amount	Particulars
March	John McLellan	32.85	Motor vehicle accident—Repairs
	Quebec Hydro Electric Comm. ..	44.50	Motor vehicle accident—Repairs
	Blanshard Municipal Telephone System	15.00	Motor vehicle accident—Repairs
	Bell Telephone Co. Can.	47.30	Damage to line
	Vandry Inc.	61.72	Motor vehicle accident—Repairs
	Urban and Rural Telephone ..	19.50	Motor vehicle accident—Repairs
	J. W. Batty and Progressive Insurance Co. of Canada	96.50	Motor vehicle accident—Repairs
	Michaud and Simard Inc.	32.00	Motor vehicle accident—Repairs
	Napoleon Lamoureux	214.10	Motor vehicle accident—Repairs
	Luna Gas Ltd.	67.25	Aircraft damage to property
	Charles A. Fortin	916.64	Motor vehicle accident—Repairs
	Chown Ltd. and St. Remy Motor	14.96	Motor vehicle accident—Repairs
	Sam Bazyk	207.85	Motor vehicle accident— personal injuries
	Pius Kukn	10.00	Motor vehicle accident—Repairs
	P.V.K. Tripe	36.70	Motor vehicle accident—Repairs
	Dr. H. C. Burleigh	13.90	Motor vehicle accident—Repairs
	Hydro Electric Power Comm. Ontario	46.13	Motor vehicle accident—Repairs
	H. A. Beeby	39.45	Motor vehicle accident—Repairs
	Christopher and Frank Ripplinger	53.00	Motor vehicle accident—Repairs
	John E. Fraser	10.00	Motor vehicle accident—Repairs
	Wonder Bakeries Ltd.	25.00	Motor vehicle accident—Repairs
	E. F. Helmer	8.00	Damage to mail box by DND vehicle
	Sgt. W. R. Lewis	61.25	Motor vehicle accident—Repairs
	City of Westmount	161.60	Motor vehicle accident—Repairs
	Winnipeg Electric Co.	85.00	Motor vehicle accident—Repairs
	Mrs. K. Darling	128.32	Motor vehicle accident—Repairs
	Manitoba Power Commission ..	403.86	Damage to power line
	G. H. Lalonde & Wawanesa Mutual Ins. Co.	210.62	Motor vehicle accident—Repairs
	G. H. Lalonde	690.00	Motor vehicle accident—Repairs
	R. A. Rawlins	368.39	Motor vehicle accident—Injuries
	Roger Lafontaine	38.75	Motor vehicle accident—Injuries
	Mrs. Aurore Tremblay	102.13	Motor vehicle accident—Injuries
July			
	Total	\$169,100.88	

Item No. 2

ARMY SERVICES

BREAKDOWN—PROFESSIONAL SERVICES (p. N. 27)

LEGAL FEES

1949-50

Date	Payee	Amount	Particulars
1949			
April			
& May	E.B. Wilson	47.75	Purchase of land from City of Edmonton
	G. Deslandes	103.00	Petition of Right of Omer Paquette
	M. J. Edwards	81.45	Petition of Right of George J. R. Webber
	H. L. Abramson	6.00	Claim against Lt. Col. C. A. Turnbull <i>re</i> —Outstanding Advance
	M. Laurier	395.35	Petition of Right D. I. MacDonald
	M. J. Demers	26.00	Prosecution of Donet Bilodeau
	Kerr, McQuarrie and Meighen	50.00	Accident DND Vehicle
	G. R. Fournier	567.53	<i>Re</i> : Lorenzo Leblanc—theft of stores from C.A.R.D.E.
	W. B. Cromarty	20.00	Legal fees <i>Re</i> —Salvation Army Hut
June	M. E. Anka	70.96	Accident DND Vehicle at Hog's Back
	P. Lefebvre	95.00	Montreal Tramways vs. The King
	G. Roberge	262.50	Theft of Government property at Valcartier, Que.
	J. M. Bureau	106.00	Claim against P. McCarthy and Paul Couture
	C. G. Quinlan	144.00	Claim for loss of Ordnance Stores in transit by Nfld. Railway
	Freidman, Lieberman & Newson ..	23.00	Claim against Northern Alberta Railway
	Roger Ouimet	635.20	<i>Re</i> : Romeo & Frederic Aubin v. The King
	D. Donaghy	840.65	King v. F. N. Sinclair
	H. L. Osborne	69.00	Appeal from assessment of caretaker Simcoe Armouries.
	W. W. Ferguson	22.39	Purchase of land from City of Nelson
July	E. Trottier	441.54	Exchequer Court Zephrin Leclair v. The King
	H. Batshaw	64.00	Attorney General of Canada v. Cresswell—Pomeroy Ltd.
	P. Decary	125.00	Prosecution of Paul Ulysses and Samuel Rella
	J. Vadboncoeur	31.00	Metropolitan Service Inc. v. The King
	E. C. Bogart	392.40	Claim against Northern Transport Ltd.
	H. L. Osborne	6.20	Assessment of Caretaker Simcoe Armouries
	Colin MacKenzie	2,506.30	<i>Re</i> : Oxford Point Battery Site—Nova Scotia Steel & Coal Company

Date 1949	Payee	Amount	Particulars
July	C. L. Sanderson	48.05	Purchase of land from Mrs. Lillian Bell
	C. H. Grant & Agent Minister of Justice	145.90	Acquisition of land at Calder, Alta.
	S. A. Puffer	29.22	Donation of Armoury Site, Ponoka, Alta.
	E. C. Bogart	775.12	Claim against Northern Transport Ltd.
	Burchell, Smith, Parker & Fogo E. C. Bogart	14.00 76.05	Petition of Right—Miss S. Roy Injuries to Gunner B. Steane
	J. B. Coyne	500.00	Peter Zakizewski v. The King
	J. C. McNevin	11.00	Claim against G. McDougall— Accident DND Vehicle
August	B. Turmel	1,292.55	Glorian Gravel v. The King
	S. H. Adams	125.00	Petition of Right of Eliza Elliott
	W. M. MacKay	14.06	Re: Account with German, Mackay and McLaws
	Clark, Robertson, Macdonald & Connolly	80.00	Re: Ex-Major W. O. Smith
	Wells & Philpot	211.58	Damage re: Motor Accident at North Camp, Aldershot
	C. V. Bennett	57.09	Acquisition of Community Hall Stettler, Alta.
	W. G. Herbert Bennett & Agent of Minister of Justice.....	90.25	Acquisition of Easement from Cyril Crack
	A. M. Decheme	37.40	Purchase of land from the Ed- monton Fur Auction Sales Ltd.
September	J. G. Roberts	25.94	Claim against D. Monzik
	J. Dumoulin	444.50	The King v. Autobus Fournier
	Gagnon & DeBilley & J. Dumoulin	299.54	The King v. Autobus Fournier
	R. Brossard	273.00	Ross v. The King
	R. Brossard	159.00	Collins v. The King
	John Parker	46.20	Ross v. The King
	James A. Macdonald	14.00	Collins v. The King
October	Lyon & Jacobs	116.00	Purchase of garage accommoda- tion, Yellowknife, N.W.T.
	L. A. Pouliot	25.00	Claim against O. M. Dayton and R. G. Baldwin
	J. W. Heffernan	67.26	Louis Arick v. the King
	M. Laurier	664.00	Accident to Germain Bender
	D. Fraser	1,041.60	Crown v. W. J. Hardie
	G. Roy	59.57	Ross v. The King
	J. H. Stitt	17.28	Petition of Rights Joe Wasilief and George Wallis
	Under Secretary of State	48.13	Prosecution of Georges Edouard Verreault
	T. C. L. McAlpine	476.40	The King v. Ex. Capt. Brady
	Lazier & Lazier, Agents of Minister of Justice	42.11	Services in connection with the trial of Kanao Inonye (War Crimes)
	C. V. Bennett	11.00	Petition of Right of Homer MacIvor
			Otis-Fensom Elevator Co. Transfer of Title
			Acquisition of Community Hall

Date 1949	Payee	Amount	Particulars
November	W. Scott McKay	56.80	Attorney General v. Lumley
	R. Turgeon	115.50	Settlement of Accident between DND vehicle and John Rosin- sky
	G. Saintonge	46.00	Prosecution of Gerard Pilon and Alexander Allen
	T. A. Dohm	461.99	Rex v. Bergeron—Manslaughter
	W. S. Owen	185.25	Rex v. Bergeron—Manslaughter
	E. B. Wilson	18.37	The King v. Hankins and Sharpe
	A. Garneau	42.00	The King v. Prosper Martin
	A. M. McIntyre	458.60	Petition of Right by Roy and Lydie Lobb
	F. Auclair	15.50	Re: Accident DND vehicle
	Y. Bernier	238.50	Proposed appointment of civilian practitioners possessing quali- fications to act as Judge Adv- ocates at Courts Martial
	L. A. Kitz	163.25	Re: Battery Observation Post— R. J. Martin
	R. I. Ferguson, K.C.	597.20	Acquisition of Loblaw Bldg.
	D. Gordon Blair, Agent Minister of Justice	91.90	Exchange of lands with the city of Saskatoon.
	J. V. Pickup, Agent Minister of Justice	1,541.68	National Trust v. The King Britton-Fost v. The King
	R. Brossard	60.00	Charles F. Collins v. The King
	R. Noel	260.00	A. H. Hurst v. The King G. M. Card v. The King
December	J. Tellier	145.75	O. P. Bois v. The King
	M. Lemieux	45.00	Prosecution of Edgar Dubois and L. Morin
	M. H. Fortier	264.85	A. Bigras v. The King
	R. Noel	668.37	N. Palardy v. The King
	Sirois, Sirois & Lesage, Agent Minister of Justice	23.00	Re—Quebec Sash and Door Co.
	G. MacKay, Agent Minister of Justice	654.05	Re: Meaford Expropriation
	Frank Wilson, Agent Minister of Justice	99.98	Purchase of land from George Watson
	D. Donaghy	25.00	The King v. F. N. Sinclair
	W. M. Robinson	121.49	Purchase of property from Ross M. Gibson
	J. J. McKenna	28.50	W. R. Williams v. W. T. Fahey
	Disbery & Bence	140.58	D.N.D. v. Pound, Badger et al.
	J. G. Currie	576.95	Petition of Right by Samuel E. Totten
1950 January	R. Brossard	201.45	Re: Accident DND vehicle
	Registrar Exchequer Court	11.50	Services rendered in connection with Petition of Right of John and Mary Rawn
	Registrar Exchequer Court	13.20	For services rendered in con- nection with the trial of the Petition of Right of Samuel E. Totten
	T. A. Dohm	355.00	The King v. Bergeson
	S. H. Forrest, K.C.	34.00	Purchase of property from St. Paul's United Church

Date 1950	Payee	Amount	Particulars
February	Y. Bernier	120.00	Defending Pte. Desrochers, DND
	P. Dalme	241.60	Petition of Right—John Little
	M. D. Haley	45.00	Claim against Dartmouth Furnishers, damage to DND Vehicle
	Sirois, Sirois & Lesage	94.00	Re: Crown title Lot 2263 Champ-lain Ward.
	M. Lemieux	49.00	Prosecution of E. Dubois Lorenzo Morin
	Registry Office Registry Division County of Prince Edward	12.70	Search and Copy Description Lot 113 Township of Hillier and Certified Copy of Deed
	John W. G. Hunter	59.00	Title of portion of Long Branch Rifle Range
March	P. Dubois	91.98	L. Lauzon v. The King
	L. Bingham & Co.	61.64	Cox v. Laliberte
	J. Gladstone Currie	540.89	Petition of Right by John A. Brown
	R. A. Clement Jr.	270.80	Petition of Right of Clara I. Brown
	P. Decary	152.40	The King v. S. D. O'Connor and R. E. Aikman
	R. D. Keirstead	388.83	Claim of General Dairies Ltd.
	R. A. Clement Jr.	14.66	Claim against Rumford Dairy Ltd.
	Friel & Freil	25.00	Claim against Brown and McIlven
	Messrs. Power Walsh & Power ..	75.00	Acting for Maj.-General Sir Eugene Fiset
	H. O'Donnell	8,105.73	Legal fees in connection with Halifax disorders (7-8 May 1945)
	G. H. Young	35.00	The King v. Charlton
	A. M. Dechene	22.25	Purchase of lots 5, 6 and 7 McMurray Township
	S. A. Puffer	40.28	Donation of Armoury Site, Ponoka, Alta.
	A. B. Rutherford, Agent of Minister of Justice	35.40	Expropriation of easement to shoot over lands owned by Messrs. E. & L. J. Hank
	H. E. Richardson, Agent Minister of Justice	53.29	Purchase of property at Lindsay, Ontario
	L. S. Willoughby	83.85	Conveyance from H. L. Cartwright and V. A. Cartwright.
Supp. No. 1	A. Ferguson	55.80	Accident DND vehicle
	Estate C. L. McAlpine	663.94	Petition of Right—W. F. Stone & Nessie Stone
	R. Ouimet	438.75	Legal fees re: E. Thomas Transport
	P. M. McLaughlin, Agent Minister of Justice	61.76	Exchange of Crown Lands
	Miscellaneous Investigators Fees, Fees of Magistrates, Witnesses, etc., Professional and Special Services	3,269.92	
		<u>\$37,339.20</u>	

Item No. 3**EDUCATION OF CHILDREN 1949-50***Service Schools*

Number of Schools	18
Children in Attendance	2,650
Number of Teachers	117
Expenditures	\$216,888.87
Average per pupil	\$81.84

These schools are in temporary buildings and have been set up because of the isolated location or the fact that the facilities in municipalities could not handle the number involved.

Municipal Schools

Children in attendance	986
Cost of Non-resident fees	\$62,325.98
Average per pupil	\$63.21

This does not include transportation by Service vehicles.

Item No. 4**THE NORTHWEST HIGHWAY SYSTEM****1. *The Highway System:***

The Canadian Army is responsible for the maintenance and improvement of:

- (a) 1221.5 miles of the Highway;
- (b) 117 miles of the Canadian portion of the Haines Cut-Off Road;
- (c) 230 miles of access roads to Airfields of the Northwest Staging Route;
- (d) Maintenance of seven emergency flight strips.

2. *Physical Features:*

The road is an all-weather gravel highway with an average carriage-way of 26 feet. Instances occur where the road is widened to 40 feet. The road passes through particularly rugged country consisting of mountains, glacial moraines, perma frost, swamps, marshes and crosses 140 rivers and streams where bridges are required. The road is open throughout the year for commercial and private usage. No tolls or other charges are levied.

3. *Functions Other Than Maintenance of Highway*

In addition to the maintenance of the highway and various camps and facilities operated throughout, the system provides an unexcelled training area for the Canadian Army and in particular an operational role for the training of the Royal Canadian Engineers. It also operates and maintains essential services for other Government Departments and civilians at various locations along the Highway. Some examples of the services are:—

- (a) The provision of rations for RCAF installations on the Northwest Staging Route;

- (b) Hospitalization, medical and dental care for military and civilian personnel including service dependents, and in emergencies, for civilians not employed on the Highway;
- (c) Provision of married quarters for soldier and civilian personnel;
- (d) Power, water and sewage systems for Government Departments and civilians;
- (e) Fire protection at Whitehorse and in the various maintenance camps;
- (f) Servicing and repair of commercial refrigeration in the Highway Camps.

In addition to the foregoing normal day to day services, the Army undertook the construction of 63 miles of road from the Highway at Mile 865 to connect with the settlement at Atlin, B.C. This work was undertaken at the joint request of the Province of British Columbia and the Department of Mines and Technical Surveys who contributed \$200,000 and \$250,000 respectively, to the cost of the work

4. *Maintenance Of The Highway*

The total mileage of roads and air strips maintained by NWHS is the equivalent of 1500 miles of main highway. Basic charges against this and including all overhead covers:—

- (a) Basic maintenance of the highway which includes grading, snow clearance, fencing, sign posting, normal replacement of culverts, maintenance of ditches and minor washouts, etc.;
- (b) Completion of unfinished portions of the Highway and improvement of dangerous curve areas, etc. This would also include major culvert replacements over a period of years and such work which is required on the road to reduce basic maintenance costs. This can be considered as capital improvement which should be drastically reduced in approximately five years;
- (c) Major bridge repair and replacement. There are 140 bridges on the Highway, a number of which are temporary bridges and must be maintained at a high cost until replacement can be accomplished. Several permanent bridges have been built and work is now progressing on a 1400 ft. bridge across the Donjek River, and replacing five timber structures which are in a dangerous condition. Bridges are expensive to maintain because of the mountainous nature of the country and the violence of the spring runoff and the breakup period.

5. *Maintenance of Buildings:*

The main installations are at Whitehorse with a rear headquarters and depot at Dawson Creek, B.C. There are 18 self-contained maintenance camps with varying numbers of buildings along the length of the road. These buildings were constructed by the United States Army and were of wartime temporary construction. Time and the elements have reduced the buildings to a near state of collapse.

6. *Cost Factors:*

It is noted that expenditures on NWHS have been increasing from a total of \$3,642,769.72 in 1946-47 to \$7,231,975.62 in 1949-50. The following factors have a bearing on the costs of operating this Highway System:—

Labour:

There are no civil communities from which labour can be hired in the numbers required. It is necessary, therefore, to house the personnel and provide facilities such as heat, light and water.

The cost of living in this remote area is higher and wages necessarily reflect these conditions.

All casual labour is employed in accordance with Department of Labour wage schedules, with the usual time and a half for overtime.

The efficiency of labour is affected by the extreme cold and during the short construction season (May-Oct.), work must be completed as quickly as possible, even though costs are considerably higher.

Material:

The costs of all materials used for construction and maintenance are very much higher than elsewhere in Canada.

There are two methods of getting in supplies:

- (i) By boat, Vancouver to Skagway, and overland to Whitehorse;
- (ii) By rail to Dawson Creek and by truck to Whitehorse.

Costs of transportation on the Highway are approximately 12 cents per ton mile.

Practically all materials, except gravel, which is produced by the Army Engineers in their own crushing plants, have to be imported over either of the two routes above. An example of cost of material is cement, which in Southern Canada costs approximately \$1.00 per bag, whereas cement laid down at Whitehorse costs \$3.00 per bag.

Equipment:

The construction equipment taken over from the United States Forces was worn out by 1949-50 and obsolete. It was costly to maintain and secure spare parts.

There are no civilian facilities for the repair of equipment and it is necessary for the Army to set up maintenance workshops to keep the equipment in operation.

A program of replacement has commenced and although this has an affect on capital costs, savings will be reflected in maintenance costs which will decrease from year to year.

Heating Costs:

All fuels for heating have to be imported from outside the Highway and the costs reflect the high cost of transportation.

Supplies:

The United States Army, on evacuation of the Highway, left to the Canadian Army large quantities of gas, oil, building materials, etc., which have been consumed and increased costs of the Highway now reflect this condition.

7. Appendices:

Appendix "A" is an annual report on activities of the Highway Establishment for the period 1948-49.

Appendix "B" is a comparative statement of expenditures for each fiscal year 1946-47 to 1949-50.

8. Conclusion:

Costs of operation and maintenance of the Highway, whilst appearing on the surface to be above normal for Southern roads, are affected by the various circumstances of location, terrain and climate.

The Northwest Highway System is providing the facilities for the growth of the vast Northwest area of Canada and the military maintenance of the Highway provides the Canadian Army with an unexcelled training area.

APPENDIX A

HIGHWAY CONSTRUCTION AND MAINTENANCE REPORT

NORTHWEST HIGHWAY SYSTEM

1948-1949

1. *Normal Maintenance:* ALL YEAR ROUND
 General maintenance carried out by Northwest Highway Maintenance Establishment with permanent Maintenance Camp personnel is not shown. This work consists of snow clearance, blading, culverts and ditch clearance, incidental maintenance to airbase access roads and to emergency air-strips, icing control, flood control, and stream channel control and clearance.
2. *Surfacing:*
 Quantity of gravel and binder material used for surfacing, filling sags and elevating curves 107,565 cu. yds.
3. *Ditching and Slide Clearance:*
 This work includes pullblade, scraper and motor patrol work. Foreslopes and backslopes and offtake ditching was carried out in same operation 179,175 cu. yds.
4. *Gravel Crushing:*
 Total gravel crushed 14,868 cu. yds.
5. *Rock Work:* 7,050 cu. yds.
6. *Grade Raises:* 123,437 cu. yds.
7. *Relocation:*
 (i) Minor relocation 103,950 cu. yds.
 (ii) Donjek relocation 76,000 cu. yds.
8. *Washout Repairs:* 192,246 cu. yds.
9. *Diking and Flood Control:* 58,235 cu. yds.
10. *Culverts:*
 Culvert work consisted principally of replacing collapsed native timber culverts and repair of existing culverts. Total replaced 61
11. *Bridge Repairs:*
 Minor repairs such as replacing wear decking, repairs to handrails, wheel guards, bracing, bolt tightening, etc., were carried out on a total of 52
12. *Bridges Erected:* 4
13. *Bridges Painted:* 46
14. *Snow fencing:* 8,698 lin yds.

15. *Bridge Signs Erected—All Bridges:* 140

16. *Guide Posts:*

Standard painted guide posts, with reflector buttons,
are being erected on all dangerous curves and sidehill cuts.
Number completed 1,278

17. *Atlin road:*

Location Survey	61 miles
Clearing	55 miles
Rough grade	51 miles
Finished grade	44 miles
Surfacing	40 miles
Culverts	65 miles
Bridges	5 miles

APPENDIX B

COMPARATIVE STATEMENT OF EXPENDITURES

	1946-47	1947-48	1948-49	1949-50
Civil Salaries and Wages.....	\$ 1,047,982.29	\$ 981,462.73	\$ 1,118,481.15	\$ 1,313,940.02
Pay and Allowances.....	499,114.74	612,589.37	803,511.39	1,004,771.42
Travel and Transportation.....	186,977.42	88,226.17	128,675.62	186,107.00
Freight and Express.....		59,747.28	130,610.17	141,658.18
Rental of Buildings and Properties.....			1,582.54	1,910.23
Operating Expenses of Properties.....	239,340.51	330,320.22	697,855.70	764,789.44
Acquisition, Construction and Purchase of Properties.....		288,547.19	347,492.93	343,482.18
Maintenance and Repair of Properties.....	110,107.21	81,696.76	422,487.49	504,403.10
Equipment, Stores and Supplies.....	1,543,838.80	1,175,734.46	1,659,998.79	2,890,124.53
Communication Services.....	1,068.52	79,347.21	83,727.98	79,240.02
Sundries.....	16,964.95	1,537.66	1,404.97	1,539.50
Total.....	\$ 3,642,769.72	\$ 3,699,209.05	\$ 5,395,828.73	\$ 7,231,975.62

Item No. 5

COST OF MARRIED QUARTERS

Reference is made to a return tabled by Mr. Blanchette, Parliamentary Assistant to the Minister of National Defence, on Monday, January 29, 1951 in reply to a parliamentary enquiry moved by Mr. Wright on September 7, 1950.

ORDER OF THE HOUSE OF COMMONS—13 SEPTEMBER, 1950—MOVER—MR. WRIGHT

QUESTIONS—

ANSWERS—

	Maritimes	Quebec	Ontario	Prairies	British Columbia	Isolated and Northern Areas
1. How many married quarters have been completed to date in each Military District in Canada?.....	767	81	1,536	854	268	321
2. How many are now under construction in each such district?.....	481	39	1,685	874	202	318
3. For how many are contracts let but construction not started in each district?.....	421	80	708	589	315	122
4. What is the average cost of such quarters completed to date in each Military District?.....	\$7,463	\$7,555	\$7,823	\$7,380	\$7,147	\$17,623
5. What is (a) the highest; (b) the lowest, cost of any single unit now completed in each district?.....	(a) \$10,107	\$12,100	\$10,825	\$12,753	\$10,400	\$22,147
	(b) \$5,647	\$6,269	\$5,316	\$4,777	\$5,327	\$11,724

NOTE—This information as at 31 August, 1950.

Department of National Defence,
18 January, 1951.

(C. M. DRURY)
Deputy Minister.

Item No. 6

Construction contracts which have not been completed in accordance with the plans and specifications and for which moneys were withheld.

There were no construction contracts which had not been completed in accordance with the plans and specification and for which payment was made during the fiscal year 1949-50. Records of the department show one case where moneys had to be held to insure that the subcontractors were paid before release of the deposit.

Item No. 7

Requests received from other Government departments for use of RCAF Aircraft which were not met.

In respect to the additional information requested on air transport, a search of files for the period January to March 1950 inclusive has shown that there is no documentary evidence of the RCAF refusing air transportation for other government departments. It is certain, however, that there were possibly a number of refusals during this period which were handled by telephone and because of the inability of the RCAF to handle the requests no formal written request was made as would be required for record and administration purposes if transportation was to be provided.

Item No. 8

PUBLIC ACCOUNTS—Page N. 32

NAVY

Miscellaneous Expenses

Court Martials and detention of prisoners	\$ 4,342.91
Apprehension of Deserters	201.51
Funeral Expenses	1,860.11
Allowance Sea Cadet League for Camp Maintenance	8,745.81
Entertainment Expenses—foreign ships and officials including commissioning ceremonies	21,689.04
Publicity and Advertising—Cut and Mat Services for Newspapers	1,860.65
Compensation for damages against Crown	16,762.52
Cost of Sick Mariners benefits re Civilian Crews	134.74
Legal Fees	17,703.65
Maintenance physical fitness equipment	13,005.50
Supervision of qualifying examination Royal Roads	1,180.38
Loss of Personal Effects	1,480.50
Miscellaneous Expenditures including rewards for salvage of Torpedoes, mines and paravanes, payments to Customs officers re expenses for reporting duties re merchant ships, payments to municipal school boards re transportation and education of children, Royal Roads library maintenance fund, recreational facilities for Naval personnel, preparation of manuscript for text book on Radio and Radar Fundamentals and all other sundry expenditures	37,749.69

\$126,717.01

Item No. 9

Payments on construction and maintenance in province of Saskatchewan

	1948-49	
Construction		\$ 63,120.86
Maintenance		86,013.85
		<hr/>
		\$140,134.71
		<hr/> <hr/>

Item No. 10

Helicopter Aircraft in the Armed Services during the fiscal year 1949-50.

This is questioned by Mr. Fraser.

RCAF—Greenwood	1
Trenton	1
Edmonton	1
Vancouver	1
Whitehorse	1
ARMY—Rivers	4

Item No. 13

Further Information on Item "I" Pages N46 and N47 Public Accounts 1949-50

The Defence Research Board awards grants-in-aid to senior members of university staffs to finance research on problems of defence interest.

Only grants-in-aid have been awarded. Applications are solicited for university professors in all Canadian universities and on receipt of an application for a grant-in-aid it is referred to an appropriate scientific panel of the Board for recommendation. Panels are made up of leading scientists from the universities, industry and such government agencies as the National Research Council, etc. Panels assess applications on the basis of the scientific competence of the applicant, the defence interest of the proposed research, applicability to the Board's program, etc.

Panel recommendations are submitted to the Board itself, for further examination. If the Board concurs in the recommendation of the panel, the application is sent to the Minister for final approval.

Upon the award of a grant, the amount approved is deposited in the Trust Fund. Moneys are then issued in a series of advances to the bursar of the university where the grantee is located. The bursar administers the funds on behalf of the grantee and submits quarterly accountings to the Board. Upon completion of projects unspent balances are returned to the Receiver General of Canada.

Funds may be used by the grantee to purchase equipment and to pay for assistants (most of whom are students). The grantee himself may not receive any remuneration. Title to equipment is normally vested in the university except in special cases, when the Board retains title.

University research is difficult to schedule since it is dependent upon the amount of time the professor can give to it and the availability of suitable graduate students. The operation of the trust fund provides the elasticity in timing of finances needed by the professor in planning his research program.

As of March 31, 1949, there was an unspent balance in the trust fund of \$485,092. During 1949-50 additional grants to the value of \$426,436.43 were awarded. During the same period a total of \$763,264.28 was drawn and spent by grantees, leaving a balance of \$148,264.15 on 31st March, 1950.

Item No. 14

Prisoners of War in Korea

Replying to the question raised by Mr. Thatcher on Item F on page N47 of Public Accounts, regarding Canadian prisoners of war, I understand that steps are being taken to endeavour to make suitable arrangements with respect to protection of Canadian prisoners of war who may be captured in Korea.

Canadian authorities have informed the International Committee of the Red Cross that this country is willing to abide by the spirit and principles of the new and old conventions relating to prisoners of war and requesting that Committee to submit to the North Korean authorities a statement that Canadian Forces operating in Korea will observe any undertakings in regard to humane treatment of prisoners of war and sick and wounded entered into on behalf of United Nations forces by the United Nations Commander-in-Chief.

Item No. 15

LIST OF CIVILIANS WHO HAVE RECEIVED \$2,000 OR MORE FOR TRAVELLING EXPENSES DURING 1949-50

F. F. Worthington—Special Adviser to the Minister	\$ 4,883.17
Duties: Civil Defence Co-Ordinator	
Travelling expenses incurred in connection with Civil Defence Organization.	
N. Andrews—Inspecting Officer, Gr. 1	3,300.88
Duties: Inspection of leather footwear and leather products.	
Travelling expenses incurred in connection with Inspection, at manufacturers plants, of stores purchased for the Armed Forces.	
F. W. Boyd—Inspection Officer, Gr. 1	2,066.69
Duties: Inspection of textiles and bedding	
Travelling expenses incurred in connection with Inspection, at manufacturers plants, of stores purchased for the Armed Forces.	
N. Downey—Inspecting Officer, Gr. 1	2,628.28
Duties: Inspection of rubber footwear and rubber produce.	
Travelling expenses incurred in connection with Inspection, at manufacturers plants, of stores purchased for the Armed Forces.	
J. W. Marshall—Inspecting Officer, Gr. 1	2,756.68
Duties: Inspection of leather and rubber footwear.	
Travelling expenses incurred in connection with Inspection, at manufacturers plants, of stores purchased for the Armed Forces.	
C. W. McCarthy—Administrative Officer, Gr. 1	2,118.15
Duties: Supervision of a staff of five auditors at all National Defence Establishments in the provinces of Alberta and British Columbia.	

J. R. McDonald—Examiner, Gr. 5	\$ 2,442.95
Duties: Inspection of textiles and technical advisor on woollens.	
Travelling expenses incurred in connection with Inspection, at manufacturers plants, of stores purchased for the Armed Forces.	
R. A. Desjardins—Inspector of Stores, Gr. 3	2,406.12
Duties: Inspection of uniforms of all kinds.	
Travelling expenses incurred in connection with Inspection, at manufacturers plants, of stores purchased for the Armed Forces.	
N. A. McNaughton—Inspector of Stores, Gr. 2	2,275.34
Duties: Inspection of textiles.	
Travelling expenses incurred in connection with Inspection, at manufacturers plants, of stores purchased for the Armed Forces.	
L. E. Millar—Inspector of Stores, Gr. 2	2,476.46
Duties: Inspection of textiles.	
Travelling expenses incurred in connection with Inspection, at manufacturers plants, of stores purchased for the Armed Forces.	
A. P. Reiber—Inspector of Stores, Gr. 1	2,246.35
Duties: Inspection of cottons, clothing and furnishings.	
Travelling expenses incurred in connection with Inspection, at manufacturers plants, of stores purchased for the Armed Forces.	
J. E. Piche: Clerk of Works, Gr. 4	2,211.61
Duties: Superintendent of maintenance and construction work performed in Army Armouries, rented buildings and DND installations spread over the western portion of Quebec Province.	
Travelling expenses incurred in connection with the above duties.	
G. H. O. Beamish—Inspector of Stores, Gr. 4	2,431.44
Duties: Inspection of Medical, Electrical, Mechanical and Technical Stores in Royal Canadian Naval establishments.	
Travelling expenses incurred in connection with the above duties.	
A. C. Borland—Departmental Accountant, Gr. 1	2,390.09
Duties: Naval Stores Examiner whose duties are to check bin and panel cards, issue and receipt of stores, time cards, labour distribution vouchers at Naval establishments and dockyards.	
Travelling expenses incurred in connection with the above duties.	
J. J. Boulger—Departmental Accountant, Gr. 1	2,535.52
Duties: Naval Stores Examiner whose duties are to check bin and panel cards, issue and receipt of stores, time cards, labour distribution vouchers at Naval establishments and dockyards.	
Travelling expenses incurred in connection with the above duties.	
D. A. Campbell—Departmental Accountant, Gr. 1	3,139.87
Duties: Naval Stores Examiner whose duties are to check bin and panel cards, issue and receipt of stores, time cards, labour distribution vouchers at Naval establishments and dockyards.	
Travelling expenses incurred in connection with the above duties.	
W. Hanson—Departmental Accountant, Gr. 1	2,675.39
Duties: Naval Stores Examiner whose duties are to check bin and panel cards, issue and receipt of stores, time cards, labour distribution vouchers at Naval establishments and dockyards.	
Travelling expenses incurred in connection with the above duties.	
G. W. Mahoney—Departmental Accountant, Gr. 1	2,239.86
Duties: Naval Stores Examiner whose duties are to check bin and panel cards, issue and receipt of stores, time cards, labour distribution vouchers at Naval establishments and dockyards.	
Travelling expenses incurred in connection with the above duties.	

R. McLennan—Departmental Accountant, Gr. 1	\$ 2,488.24
Duties: Naval Stores Examiner whose duties are to check bin and panel cards, issue and receipt of stores, time cards, labour distribution vouchers at Naval establishments and dockyards.	
Travelling expenses incurred in connection with the above duties.	
F. E. Wright—Supervisor of Construction, Gr. 3	2,166.73
Duties: Field supervision of construction projects.	
Travelling expenses were incurred in connection with rehabilitation of RCAF Station at Chatham, N.B. As the RCAF Unit was not operating, it was necessary for Mr. Wright to live in Chatham, paying room and board and transportation to and from the Station.	
D. C. U. Simson	3,404.00
Duties: Supervisor of Canadian Battlefields Memorials in France and Belgium.	
Living allowance paid in accordance with regulations laid down by Treasury Board for Canadian government officials serving abroad.	

Item No. 16

Long Distance Telephone Calls:

The amount paid for long distance telephone calls by the Department of National Defence during 1949-50 to all telephone companies was \$400,330.11 as against \$304,731.45 in 1948-49.

Payment made to the Bell Telephone Company in 1948-49 was \$319,718.62 for all services.

Item No. 17

Payment to Canadian Commercial Corporation of \$1,740,232.03	
Payment to Canadian Commercial Corporation, Washington, re advance payment required for the procurement of tank spares from the United States Army.....	\$1,650,000.00
Purchase of cloth by the Canadian Army from stocks held by the Canadian Commercial Corporation.....	88,874.93
Miscellaneous including postage on parcels and publications, share of commissionaires services, etc.....	1,357.10
Total	<u>\$1,740,232.03</u>

Regarding the item of \$1,650,000 attention is drawn to general comments on page N 7 which explains this transaction resulting in deliveries of tank spares to the amount of \$862,612.30 for which payment was made by the Canadian Commercial Corporation to the United States Army and the balance of \$787,387.70 was refunded to the Department of National Defence.

Item No. 18

DEPARTMENT OF NATIONAL DEFENCE PAYMENTS FOR ARCHITECTURAL AND ENGINEERING SERVICES

Fiscal Year 1949-50

Adam, Mr. James,
48 Sparks St.,
Ottawa, Ontario.

Architectural services in connection with the preparation of detailed plans and specifications covering the construction of a laboratory and Administrative building at the Department of National Defence (Defence Research Board), C.A.R.D.E., Valcartier, P.Q.....	\$ 5,151.00
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Services of a consultant Architect to prepare designs and produce the the required plans and specifications for a company Armoury and a two battalion armoury for the Department of National Defence..		\$ 37,500.00
Anderson, Mr. Roderick V., 956 Eglinton Avenue West, Toronto, Ontario.		
Engineering Services in connection with the provision of Permanent Married Quarters (50 units) at the R.C.A.F. Station, Centralia, Ontario, covering the design and supervision of construction of roads, sewers and water systems and general development of the site.....		7,572.20
Ajax Engineering Limited, 328 Dupont Street, Toronto, Ontario.		
Dismantling of six (6) steel antenna masts located at the RC Sigs Transmitting Station, Orleans, Ontario.....		1,234.60
Barott, Marshall, Montgomery & Merrett, 1010 Canada Cement Building, Montreal, Quebec.		
Professional architectural services covering the design and preparation of drawings and specifications required in connection with the construction of a remote transmitter building at the R.C.A.F. Station, Winnipeg, Man.		7,600.98
Architectural Services covering the design and development of complete working drawings for a Permanent O.R. Quarters Building (permanent accommodation for Airmen) for General R.C.A.F. construction.		3,086.00
Architectural Services covering the design and development of plans and specifications for standard school building for General R.C.A.F. construction.		27,000.00
To provide for the services of a professional town planning expert for the development of a basic site plan for a permanent R.C.A.F. Station..		1,688.57
Services of a Consultant Architect to prepare the design and produce the plans and specifications required for construction of the following buildings: (1) Combined Mess, (2) 50 bed hospital, (3) Firehall, (4) Signals receiver building; (5) Control tower for general R.C.A.F. construction.		7,203.00
Bates, Mr. George T., 27 General Trust Building, Halifax, N.S.		
Survey of parcel of land between Wright's Point and Turtle Head, East of Bedford Basin, N.S.		350.00
Bradshaw, Mr. G. R., 431 Third St., S., Kenora, Ontario.		
Survey of boundaries of parcel K. 101 Jeffrey County, place iron bars at each corner and preparation and submission of a plan on a scale 200' to the inch, showing trails, bushes, etc., and the centre line of the proposed Rifle Range, Kenora, Ontario.....		660.53
The Canadian Bridge Company Limited, Walkerville, Ontario.		
To provide for the services of a competent inspector to carry out a complete inspection and report of the Antenna installations erected by the Canadian Bridge Limited at Edmonton, Alberta, Fort Smith, N.W.T. and Norman Wells, N.W.T.		2,650.00

Semi-annual inspection during 1949 of Steel Towers at W/T Station,
Newport, Corners, N.S., Sumas Mountain, Matsqui, B.C. and Port
Edward, near Prince Rupert, B.C. \$ 2,337.50

Canning, W. F.,
Registered Land Surveyor,
St. John's, Newfoundland.

- (a) Search title and survey property of the McLea Estate leased to the Admiralty in a manner which will establish and indicate its boundary and dimensions.
- (b) Search title and survey property of the Board of Governors United Church College leased to the Admiralty in a manner which will establish and indicate its boundary and dimensions 175.00

Cox, Mr. E. C. S.
Thorncrest Village,
Islington, Ontario.

- Architectural Services incidental to the supervision of the construction of 125 houses at the R.C.A.F. Station, Trenton, Ontario, at present being built under a contract awarded to Hill-Clark-Francis Limited 1,338.35
- Professional architectural services in connection with the additional training accommodation for 400 and 411 Auxiliary Squadrons at R.C.A.F. Station, Downsview (DeHavilland), Toronto, Ontario.... 1,260.00
- Architectural Services incidental to the supervision of the construction of 50 houses for Permanent Married Quarters at the R.C.A.F. Station, Centralia, Ontario 4,939.90
- Architectural Services incidental to the supervision of the construction of 50 houses for Permanent Married Quarters at the R.C.A.F. Station, Clinton, Ontario 5,870.38
- Architectural Services incidental to the supervision of the construction of 60 houses for Permanent Married Quarters at the R.C.A.F. Station, Camp Borden and Angus, Ontario 5,377.21
- Architectural services covering supervision of construction of 240 houses for Permanent Married Quarters at Camp Borden, Ontario, including the taking of levels and assisting in house locations and outside service. 7,500.00

Davis, Ripley and Associates,
513-8th Avenue, West,
Calgary, Alberta.

- Engineering services in connection with the provision of Permanent Married Quarters (35 units) at No. 10 Repair Depot, Calgary, Alta. 90.00
- Fort St. John, B.C., and the supervision of the erection of the said 20 houses. 10,371.63
- Engineering Services incidental to the design and supervision of the construction of roads and sidewalks, and the installation of water, sewer, power distribution, fire alarm and street lighting systems, all of which construction and installation work is hereinafter referred to as the "work" required for Permanent Married Quarters Project (20 houses) at R.C.A.F. Station, Fort Nelson, B.C., and the supervision and erection of the said 20 houses 7,315.59
- Engineering Services, Married Quarters, Calgary, Alta. 3,000.00

Davidson, C. A. (Mr.)
Consulting Engineer,
9903-105 St., Edmonton, Alta.

- Engineering Services covering the supervision of the construction of the Receiver Bldg., R.C.A.F. Station, Namao, Alberta 934.22

de Stein, Mr. J. L.,
5771 Cote St. Luc Road,
Montreal, P.Q.

To provide for the services of a consultant engineer at the Directorate of Engineer Development, Q.M.G. Branch, Army Headquarters, Building "C", Cartier Square, Ottawa, Ontario. \$ 76.90

Donald Inspection Limited,
1181 Guy St.,
Montreal, P.Q.

Inspection Services incidental to the replacement of a concrete apron in front of No. 4 Hangar at R.C.A.F. Station, St. Hubert, P.Q. 549.20

Complete survey and soil analysis in connection with the proposed runway at R.C.A.F. Station, Trenton, Ontario 9,500.00

Engineering Services in connection with construction of new runway, Trenton, Ont., Contract dated 16-9-49 15,000.00

Engineering Services in connection with repairs to runway roads, etc., at Trenton, Ont., Contract dated 15-10-49 4,851.13

Fetherstonhaugh, Durnford, Bolton & Chadwick,
University Tower, Montreal, (2), P.Q.

Architectural and engineering services in connection with the design of the building to meet Naval requirements, preparation of working drawings and specifications including those for the structural heating, ventilating and electrical trades, preparation of estimates of cost and the furnishing of sufficient copies of plans and specifications to enable tenders to be called. 40,000.00

Faurer, Mr. Charles,
305 Kinsington Bldg.,
Winnipeg, Man.

Architectural service in connection with the preparation of preliminary sketch plans for the rehabilitation and modernizing of hospital wards and operating rooms at Fort Churchill, Man. 2,045.00

Design of remote control transmitter station, Camp Shilo, Man. 525.00

Garrett, Mr. Julian
108 Commercial Building,
Edmonton, Alta.

To provide for the services of a consultant to prepare and supply a detailed report on the most economical method for the supply of natural gas at Wainwright Military Camp, Wainwright, Alta. 1,253.41

Godin, Mr. Charles,
5436 Brodeur Ave.,
N.D.G. Montreal, P.Q.

Survey of seven lettings and encroachments at St. Johns Barracks, St. Johns, Que. 873.00

Messrs. Gore and Storrie,
Charles-Bay Building,
1130 Bay Street,
Toronto, Ont.

Professional engineering services in connection with the water supply system for R.C.A.F. Station, Trenton, Ontario. 13,647.00

Engineering Services covering the design and supervision of the construction of roads, sewer and water systems for the permanent married quarters (50 units) at R.C.A.F. Station, Camp Borden, Ont. 6,505.97

J. M. Eugene Guay Incorporated
 Dominion Square Building,
 1010 St. Catherine St., West,
 Montreal, P.Q.

To provide for the services of a consultant engineer for the supply of a complete report on the present condition of the building situated at 1380 Barre St., Montreal, P.Q., and supply recommendations covering all necessary alterations to the building for use as a garage \$ 2,853.45

Dean R. M. Hardy,
 Dean of the Faculty of Applied Science,
 University of Alberta, Edmonton, Alta.

To provide for the services of a consultant to examine the soil and building conditions at magazines 1 to 5 inclusive at Kamloops, B.C., and the submission to the Department of National Defence of a written report stating the causes of existing damage and recommendations as to methods of correcting the faults both in soil and building weaknesses..... 1,050.00

Hardy, Mr. Ronald D.,
 50 St. Vincent St.,
 Barrie, Ontario.

Services of a surveyor to survey camp area, Camp Borden, Ontario, to initiate development of camp into a permanent Army Station 3,300.00

Humphries, Mr. David T.,
 230 Regent Street,
 Kingston, Ontario.

To provide for the services of a land surveyor and field party for a period of 30 days to assist in planning the permanent station development and housing in the Barriefield Area 960.00

To provide for the services of a surveyor to carry out a detailed survey of the camp area at Picton, Ontario, in order to initiate the development of the Royal Canadian School of Artillery (Anti-Aircraft) to permanent Station status 1,800.00

Lea, Mr. H. W.,
 1226 University Street,
 Montreal, Que.

Architectural and engineering services covering complete plans, working drawings, specifications and bills of materials covering structural, architectural, mechanical (including heating, plumbing and ventilation) and electrical work for camp buildings for the Department of National Defence (Army)..... 76,850.00

Leek & Co. Ltd.,
 1111-1117 Homer Street,
 Vancouver, B.C.

Engineering Services covering the preparation of plans and specifications and a detailed estimate for renovation of the Heating System in the Armouries at Cranbrook, B.C. 360.00

N. B. MacRostie,
 193 Sparks St.,
 Ottawa, Ontario.

Engineering Services in connection with Permanent Married Quarters, Rockcliffe, Ontario. 5,776.86

Professor Edw. S. Magill,
c/o Officers Mess,
Camp Shilo, Manitoba.

To provide for the services of a Resident Engineer to supervise the Married Quarters Development at Camp Shilo, Manitoba. \$ 1,274.80

R. H. Magwood,
69 Horace Street,
Norwood, Manitoba.

Employment of a Survey Party required during summer of 1949 at Camp Shilo, Manitoba to produce information as directed by the Camp Engineer Officer, and in accordance with specifications dated March 3, 1949. 5,044.03

Margison and Babcock,
119 Isabella Street,
Toronto, Ontario.

Engineering Services in connection with the provision of Permanent Married Quarters (60 units) at the R.C.A.F. Station, Clinton, Ontario. 4,196.93

Engineering Services covering investigation and report on serious leaks in water mains supplying No. 6 Repair Depot Detachment, Fingal, Ontario. 1,460.37

Engineering Services covering development of sketches, for approval, and complete working drawings and specifications, for the construction of (R.C.A.F. Standard) widespan, permanent hangars for various sites. 4,863.73

(1) Engineering services covering investigation of present water supply system and a report covering its adequacy, and recommendations for alterations and additions that may be found necessary at Oshawa Wireless Station, Oshawa, Ontario.

(2) Engineering Services covering the making of preliminary plans for approval and construction drawings with specifications for construction of alterations and additions to present water supply system or construction of new water supply system, as determined by the report in Item (1) above, at Oshawa Wireless Station, Oshawa, Ontario. 978.46

Engineering Services covering development of the following buildings:—
(1) Equipment stores building, (2) Section M.E. building, (3) Parachute packing and drying tower and (4) Operations building for general R.C.A.F. construction. 45,400.00

Architectural services covering a structural design for the coal bunker and a design of the reinforcing steel requirements for the boiler foundation at the R.C.A.F. Station, Summerside, P.E.I. 241.86

Maritime Engineering Consultants
P.O. Box 981,
Halifax, N.S.

Preliminary Survey, re water sewer, electrical system, roads and grading for Permanent Married Quarters, R.C.A.F. Station, Greenwood, N.S. 10,633.70

Making Contour Survey of Army property, Baptizing Lake Area. Also making survey and deed. Search of land requirements in Baptizing Lake Area. 850.38

Expert witness of Crown hearing of case in Exchequer Court in respect to certain lands formerly owned by C. MacCulloch and Bedford Golf & Country Club. 196.80

Milton Hersey Co. Ltd.,
980 St. Antoine Street,
Montreal, P.Q.

To cover the cost of inspection during the reconstruction of the Main Wharf, North Jetty, R.C.N. Magazine, Bedford Basin, N.S. 165.15

Inspection of work on reconstruction of Runways at R.C.A.F. Station, Summerside, P.E.I.	\$ 4,759.74
Concrete Inspection and Soil Testing, Rivers, Man.	16,051.35
Iain R. Morrison, 220 Third Avenue, Kamloops, B.C.	
Services of a consultant to prepare the design and produce the required plans, specifications and bills of materials for building a Permanent Barrack Block, R.C.S.M.E., Chilliwack, B.C.	15,897.63
Mr. S. K. Pearce, 125—6th Avenue West, Calgary, Alberta	
To provide for the services of a surveyor to carry out a contour survey at Block "Z" Registered Plan 5138 x Northwest Quarter, section 5, Township 24, R1 W5M., for the future construction of permanent accommodation.	589.50
Power Corporation of Canada Limited, 355 St. James Street, West, Montreal, P.Q.	
Consultant engineering services to investigate and submit a preliminary engineering report and estimated cost of development and scope of a possible Hydro Electric project, R.C.A.F. Station, Goose Bay, Labrador.	9,824.52
Jacques Price, P.O. Box 340, Windsor, N.S.	
Engineering Services in connection with the provision of Permanent Married Quarters (100 houses) at Dartmouth, N.S., covering the design and supervision of the construction of roads, sewer, and water systems and general development of site	9,315.44
Professional Engineering Services in conjunction with re-activating the Mont Jacques Cartier site at Quebec	131.38
Robert A. Rankin and Company Limited, 1420 Sherbrooke Street West, Montreal, P.Q.	
Engineering services to cover the carrying out of necessary preliminary investigations and surveys with recommendations as to the type of installation necessary, and to make plans and specifications and supervise the construction of a central heating plant at R.C.N. Air Station, Dartmouth, N.S.	14,012.22
Inspection and supervision of construction of a Radio Operational Station at Fort Churchill, Manitoba, together with accommodation for single personnel and service and recreational buildings	15,000.00
Ross, Patterson, Townsend and Heughan, Dominion Square Building, Montreal, P.Q.	
Architectural services covering the preparation of detailed plans and specifications for the construction of a laboratory and administra- tion building, D.R.B. Naval Research establishment, Halifax, N.S. ...	3,500.00
Mr. J. A. Rutherford, Prince Rupert, B.C.	
To carry out a survey of the site of the H/F D/F Station, Masset, B.C., past the road within the site on the ground on both sides and pre- pare sufficient linen tracings and blue prints for registration and one linen tracing and complete description for the Department of National Defence	288.86

Sumner and Piercy,
310 Time Building,
Winnipeg, Manitoba.

Architectural services in connection with the inspection, and preparation of a report recommending repairs necessary to correct faults indicated in roof trusses and columns, Hangar Garage Building, Fort Churchill, Manitoba \$ 495.30

Messrs. Swan, Rhodes & Wooster,
Consulting Engineers,
814 Birks Building,
Vancouver, B.C.

Engineering Services covering the design and supervision of the construction of a system of river bank protection at No. 15 "X" Depot, R.C.A.F., Kamloops, B.C. 3,439.24

Donald O. Turnbull,
42 Princess Street,
Saint John, N.B.

To provide for the services of a consultant Engineer to carry out a survey of a Boathouse site proposed to be leased by His Majesty. Primary references to be based on the intersection of the main Highway and Drury Cove Road 150.00

Messrs. Underwood and McLellan,
502 Crain Building,
Saskatoon, Saskatchewan.

Engineering Services in connection with the provision of Permanent Married Quarters (50 houses) at the R.C.A.F. Station, Namao, Alberta, covering the design and supervision of the construction of roads, sewers, and water systems and general development of the site 10,719.70

Consulting Engineering Services required for the preparation of plans, specifications and an estimate of cost for a new water supply system, Joint Air School, Rivers, Manitoba 8,400.00

To carry out a survey of a permanent site for HMCS "Queen", Regina, Saskatchewan, transferred to Dominion Government by Provincial Order in Council No. 815/49 dated April 22, 1949, Regina, Saskatchewan 200.00

Engineering Services re permanent married quarters C.J.A.T.C. Rivers 9,570.17

To provide for the services of a consultant Engineer for the following:—

- (1) Investigation and report on existing sewage disposal facilities at the R.C.A.F. Station, Namao, Alberta, with particular reference to the disposal plant and for recommendations for a new plant design if existing plant is not suitable.
- (2) Field Surveys, preparation of plans and specifications covering the design of a new plant to include necessary plans for land acquisition.
- (3) Supervision of construction, legal surveys and plans for registration in the Land Titles Office of any necessary land requirements and for plans of the completed works 7,987.50

Chas. Warnock and Company Limited,
McGill Building,
Montreal, P.Q.

To provide for the services of a Resident Engineer at Petawawa military camp, Petawawa, Ontario, to carry out inspection work in connection with the housing project at that station. Such inspection services to include signing and checking of way bills and materials under escalator clause in the housing contract, taking levels and the locating of points for house locations, positioning of outside services, preparation of progress reports and any other inspection services considered necessary by the camp Engineering Officer 4,921.88

Mr. D. A. Webber,
100 Granville Street,
Halifax, N.S.

Architectural Services incidental to the supervision of the construction of
100 houses at the R.C.A.F. Station, Greenwood, N.S. \$ 2,732.27

Architectural Services incidental to the Supervision of the construction
of 100 houses at Dartmouth, N.S., required for the provision of
Permanent Married Quarters for the R.C.A.F. 1,512.50

Main & Rensaa, MacCosham Building,
Edmonton, Alberta.

Engineering Services in connection with the provision of Permanent
Married Quarters (40 houses) at the R.C.A.F. Station, White-
horse, Y.T., covering the design and supervision of the construction
of roads, sewer and water systems and general development of
the site. 12,145.55

Engineering Services in connection with the provision of Permanent
Married Quarters (50 houses) at the R.C.A.F. Station, Edmonton,
Alberta, covering the design and supervision of the construction
of roads, sewer and water systems and general development of
the site. 6,002.68

Professional engineering and architectural services for proposed con-
struction and development at Whitehorse, Y.T. and area..... 13,310.30

Engineering services in connection with the provision of additional per-
manent married quarters (50 houses) at the R.C.A.F. station,
Whitehorse, Y.T., covering the design and supervision of the con-
struction of the roads, sewer and water systems, power distribu-
tion system and the general development of the site and the super-
vision of the construction of the said houses..... 9,259.33

Services of a consultant to prepare the design and produce the required
plans and specifications and bills of materials for building a
Permanent Barrack block, Currie Barracks, Calgary, Alberta.... 15,774.98

Inspection Service incidental to the inspection of construction of 78
houses at Department of National Defence (DRB) Experimental
Station, Suffield (Ralston, P.Q.), Alberta 1,400.00

Engineering services in connection with the design and supervision of
construction of the extension to the Water Supply System,
Whitehorse, Y.T. 3,469.71

Engineering Services re layout of townsite, preparation of siting plan,
staking out permanent married quarters, designing extension to
water sewage and power utilities, etc. at Watson Lake 3,000.00

Mr. Harold J. Doran,
1010 St. Catherine St. West,
Montreal, P.Q.

Engineering and Architectural services in connection with the construc-
tion of 50 houses at the R.C.A.F. Station, Goose Bay, Labrador.... 271.69

Supervisory architectural and engineering services required in con-
junction with the construction of the Permanent School at Goose
Bay, Labrador. 3,200.00

Consulting engineering services covering the supervision of construction
of extensions and improvements of the Aerodrome at the R.C.A.F.
Station, Bagotville, P.Q. 11,186.15

Engineering Services required in connection with site and soil surveys
at the R.C.A.F. Station, Bagotville, P.Q. 9,654.39

Consultant Engineering Services covering Topographical Survey at
Saybec, P.Q. Such survey to cover the proposed station area and
to include detailed information which will enable the Royal

Canadian Air Force to know the sub-soil conditions and possible building sites. The manner and extent of the survey to be in accordance with the instruction of the Director of Maintenance Command Headquarters, Royal Canadian Air Force \$ 377.90

Architectural and Engineering Services in connection with the provision of Permanent Married Quarters (40 houses) at the R.C.A.F. Station, Goose Bay, Labrador, covering the design and supervision of the construction of roads, sewer and water system, power distribution and fire alarm systems and general development of the site, and supervision of the construction of the said houses.. 8,708.25

Messrs. Doran and Price,
Consulting Engineer and Architect,
1010 Dominion Square Building,
Montreal, P.Q.

Engineering services covering the design (roads, water and sewage, etc.) and supervision required for permanent buildings and services, Mont Jacques Cartier, Quebec..... 12,087.45

Engineering Services covering the design (roads, water sewage, etc.) and supervision required for permanent buildings and services, R.C.A.F. site, Saybec, P.Q. 19,639.75

Engineering Services covering the design (roads, water, sewage, etc.) and supervision required for permanent buildings and services, near Bagotville, P.Q. 5,239.35

McCulloch & Company,
3420 Wilson Avenue,
Montreal, P.Q.

Engineering Services covering the design and supervision of the reconstruction of dock facilities at the R.C.A.F. Station, Goose Bay, Labrador. 12,600.00

Pennock Engineering,
86 Gloucester Street,
Ottawa, Ontario.

Engineering Services covering the design and preparation of drawings and specifications for the new Central Heating Plant to replace the one now servicing the Canadian Army Staff College, Fort Frontenac, Kingston, Ontario 1,800.00

To carry out a Contour Survey of an area (approximately 47.5 acres) outlined in blue on the Connaught Range Map 1/25,000 presently in your possession. 600.00

Inspection services for the construction of 500 man mess at the R.C.E.M.E. School, Barriefield, Ontario. 979.78

Inspection Services in connection with the construction of a New Permanent Dormitory at the Royal Military College, Kingston, Ontario. 9,691.82

Professional Services incidental to the survey of the Ventilation system at the Administration Building, Royal Military College, Kingston, Ontario. 664.00

Ripley and Associates,
Consulting Engineers,
No. 5 Mortlake Block,
Edmonton, Alberta.

Engineering Services covering a survey and preliminary design work in conjunction with a permanent water supply system for R.C.A.F. Detachment, Fort St. John, B.C. 911.06

Services of a consultant Engineer for the preparation of detailed plans for:—

- (a) Construction of a water intake and transmission system, and (b) Increasing existing D.N.D. water storage, pumping and facilities at Department of National Defence (Defence Research Board) Experimental Station, Suffield, Alberta. \$ 8,500.00

Services of a consultant Engineer to provide a preliminary survey and complete report on the water supply system at the Wainwright military camp, Wainwright, Alberta 500.00

Services of a consultant Engineer to provide a full survey for the water supply system at Wainwright military camp, Wainwright, Alberta, together with designs, plans, specifications and estimates. 10,498.47

Shepherd, Mr. David,
57 Bloor Street, West,
Toronto, Ontario.

Engineering Services covering the design and supervision of the construction of an Engine Repair Shop at the R.C.A.F. Station, Downsview (Toronto), Ontario. 7,084.05

Consulting engineering services covering investigation and computation of data for additional runway development, R.C.A.F. Station, Toronto (Downsview), Ontario. 4,534.45

Supplying 10 copies of each of Drawings No. 1 and S-1 "Engine Test Sheds" DeHavilland Aircraft of Canada Ltd. 20.00

Photographic Surveys (Western) Ltd.,
200 Geary Avenue,
Toronto, Ontario.

Engineering Services covering surveyor for Wainwright military camp, Alberta. 5,000.00

CTO (DND)

Ottawa
12 Jun 51

ADDENDUM

Item 1

CANADIAN JOINT STAFF, WASHINGTON, D.C., U.S.A.

DUTIES AND BACKGROUND OF PERSONNEL DURING FISCAL YEAR 1949-50

JOINT STAFF MISSION

A/V/M H. L. Campbell, CBE

Representative of the Canadian Chiefs of Staff, Washington, and is Chairman of the Canadian Joint Staff, Washington since October 1949. He is the Canadian officer accredited to the Standing Group of the North Atlantic Military Committee and is the representative in Washington of the Chiefs of Staff on all matters relating to the North Atlantic Treaty. He is the principal military adviser to the Canadian Ambassador in Washington.

A/V/M Campbell was commissioned in July, 1930, on graduation from the University of New Brunswick with the degree of B. Sc. in Electrical Engineering. He occupied many and varied positions in the early part of his career such as Flying Instructor, adjutant of various RCAF stations across Canada, employment with the Auxiliary Air Force (111 Squadron, Vancouver). He was promoted to Flight Lieutenant on July 1, 1936 and to Squadron Leader on April 1, 1939. Shortly after the outbreak of the war he was appointed Director of Training Plans at AFHQ. In 1942 he was posted to Overseas HQ and assumed the duties of Director of Air Staff. He was promoted to Group Captain while holding this appointment.

On return to Canada in January, 1944, he was appointed Assistant of the Air Staff and promoted to Air Commodore. He was promoted to his present rank in April, 1945 on his appointment as Air Member for Personnel. He attended the Imperial Defence College in England in 1948 and on his return to Canada in April, 1949 he was appointed Air Officer Commanding, North West Air Command.

In October, 1949 he was appointed Canadian Chiefs of Staff Representative at Canadian Joint Staff, Washington, in connection with the North Atlantic Pact Defence Staff, which appointment he holds at present.

Leave: Nil.

Capt. W. C. Leonard, MBE, RCIC

Secretary to the Joint Staff and performs such other duties as the Chairman directs. Posted to Military Attache Staff, Washington in February, 1946. Remained in Washington on various appointments until his return to Canada in January, 1950 to attend Staff College.

Commissioned Irish Regiment NPAM in June, 1940. Commissioned Irish Regiment, Canadian Active Service Force in March, 1941. Served with Irish Regiment until November, 1944. Staff employment at 1 Canadian Division and 5 Canadian Armoured Division from November, 1944 to July, 1945. Returned to Canada in August, 1945.

Leave: Nil.

Major R. F. Walker, RCA

Secretary to the Joint Staff and performs such other duties as the chairman directs. Posted as G2 Secretary, Joint Staff, Canadian Army Staff, Washington from December, 1949 to February, 1951.

Commissioned Royal Canadian Artillery (NPAM) in April, 1937. Commissioned Royal Canadian Artillery, Canadian Active Service Force in November, 1939. Proceeded overseas in December, 1939. Served overseas with field units and holding units from December, 1939 to July, 1945. Returned to Canada (CAPF Volunteer) in July, 1945. Attended 1 CASC from June, 1946 to June, 1947.

Served at Army Headquarters from June, 1947 to December, 1949.

Leave: 24 days.

NAVY

Commodore V. S. Godfrey, O.B.E.

Canadian Naval Attache and Naval Member, Canadian Joint Staff, Washington, from September 1947 to July 1949. Advises the Chief of Naval Staff on matters concerning the organization, training, strength and potential of the U.S. Navy and related matters. Acts as Naval Adviser to the Chief of the Canadian Mission in Washington. Assists Canadian industrial establishments in securing information etc., pertaining to defence production.

Commodore Godfrey entered the Royal Naval College of Canada as a cadet in January, 1913. During the First World War he saw service in ships and submarines of the Royal Navy. In the years between the wars he served in ships and establishments of the RCN and Royal Navy and held a variety of appointments including that of Naval Intelligence Officer, Esquimalt. He held command of the Destroyer HMCS "Champlain" for two years. In December, 1941, he was appointed in command of the auxiliary cruiser HMCS "Prince David". In August 1943 he was appointed Chief of Staff to the Naval Member Canadian Joint Staff in Washington and succeeded to this post in August of the same year. Afterwards he was appointed in command of an infantry landing ship HMCS "Prince Henry" which carried the first wave of Canadian troops to the Normandy beachhead on D-Day. At the close of the European war he was appointed Chief of Staff to the Commanding Officer, Pacific Coast, which post he held until his appointment in September, 1947, as Naval Member of the Canadian Joint Staff, Washington.

Leave: nil.

Commodore H. N. Lay, O.B.E.

Canadian Naval Attache and Naval Member, Canadian Joint Staff, Washington, since July 1949. Advises the Chief of Naval Staff on matters concerning the organization, training, strength and potential of the U.S. Navy and related matters. Acts as Naval Adviser to the Chief of the Canadian Mission in Washington. Assists Canadian industrial establishments in securing information etc., pertaining to defence production.

Commodore Lay joined the Royal Naval College of Canada as a cadet in 1918. After graduation as a midshipman, he served in Royal Navy ships and training establishments for 4 years. On return to Canada he served in the Destroyer HMCS "Patrician". He subsequently served in HM battle-cruisers "Tiger" and "Repulse". From 1931 to 1938 he served in Canadian destroyers and was then appointed to Royal Naval Staff College, Greenwich, England.

At the outbreak of the Second World War he was Staff Officer (Operations) at Halifax. In December, 1939 he was appointed to command the Destroyer HMCS "Restigouche" which took part in the evacuation of Allied troops from

France in June, 1940. One year later he was appointed Director of Operations Division at Naval Headquarters. In 1943 he was sent on a special mission to report on Naval Air operations in the U.S. and Great Britain. In October, 1943 he received command of the first Canadian-manned aircraft carrier HMS "Nabob". Following this he served for a time with the Canadian Naval Mission in London. In 1945 he attended the U.S. Army and Naval Staff College. In December, 1945, he was appointed Director of Plans at Naval Headquarters and added the duties of Director of Naval Intelligence in April, 1946. In April, 1948, he was appointed Assistant Chief of Naval Staff (Plans and Air) and was made a member of the Naval Board. In July, 1949, he was appointed Canadian Naval Attache and Naval Member Canadian Joint Staff, Washington.

Leave: 18 days.

Commander Francis J. D. Pemberton

Assistant Canadian Naval Attache since May 1948. Chief of Staff to Naval Member Canadian Joint Staff.

Commander Pemberton entered the Royal Canadian Naval Volunteer Reserve at Halifax in 1940. He became executive officer of the corvette HMCS "Chambly" in January, 1942. In September of that year he was appointed for duty with Commandant, Eastern Sea Frontier (US Navy) as Assistant Escort Liaison Officer at New York.

Later he became Canadian Escort Liaison Officer on the staffs of the Commandant, Eastern Sea Frontier and the British Admiralty Maintenance Representative. He was appointed Canadian Naval Attache in 1945. In 1948, following the reorganization of the Canadian Joint Staff he was appointed Assistant Canadian Naval Attache.

Leave: 19 days.

ARMY

Brig. H. E. Taber, CDE, CD

Commander, Canadian Army Staff (Washington) and Military Attache, Washington, June, 1947 and still holds this appointment, as well as Military Attache, Washington.

Enlisted as OR Lanark and Renfrew Regt. (NPAM) May, 1913. Entered McGill University and joined the COTC 1915 and went overseas with the McGill Seige Bty CEF as an OR. Joined the RAF and served for 8 months. Joined RC Sigs (PF) as OR and served from July, 1923 to July, 1928 in the ranks. Commissioned in Royal Cdn. Signals July, 1928 and on the outbreak of war was a Major. Promoted to Lt. Col. May 2, 1940 and appointed TSO 1 Br. of MGO-NDHQ. Promoted to Colonel August 27, 1941. Seconded to Dept. of Munitions and Supply January, 1942 and promoted to Brigadier in December, 1942. Director DE & CD Branch of MGO from July, 1943 to May, 1947.

Leave: 18 days plus 3 days travelling time.

Col. L. G. Clarke, OBE, CD

Assistant Military Attache, Washington and principal staff officer to commander. In July 1947 was promoted to rank of Colonel and appointed Chief of Staff, Canadian Army Staff, Washington until September, 1949. Acts for Commander in his absence.

Graduate RMC in 1928. Commissioned in RCA (PF) same year. Had reached rank of Captain on outbreak of war. Proceeded overseas in 1939 and promoted to Major in March, 1940. Held various staff and regimental appointments until February, 1942 when he was promoted Lt. Colonel to command 12 Field Regiment. Returned to Canada in August, 1942 to become GSO 1 in DMT. Commanded 19 Field Regiment in January, 1943 and took them overseas. In December, 1944 was promoted Brigadier to command 1 Cdn Army Group of the Royal Artillery. On reconstitution of Cdn Army (AF) was accepted as Lt. Colonel and served as Assistant Adjutant and Quartermaster General in Headquarters, New Brunswick Area. In September, 1949 returned to Canada and appointed Director of Artillery.

Leave: 24 days plus 2 days travelling time.

Col. A. E. Wrinch, CBE, CD

Assistant Military Attache, Washington and principal staff officer to commander. On graduation from Staff College in December, 1949 he was appointed Chief of Staff, Canadian Army Staff, Washington and is still in that position. Acts for Commander in his absence.

Graduated RMC in 1931. Commissioned in Royal Canadian Signals (PF) same year. Served in corps employment and reached the rank of Brigadier in January, 1945. Served at 5 Canadian Armoured Division, HQ 1 Canadian Corps and Headquarters Canadian Forces, Netherlands.

Appointed Colonel on Reconstitution of CA (AF) and appointed Director of Signals.

Leave: Nil.

A/C R.C. Gordon

Air Member Canadian Joint Staff, Washington, from March 1947 to January 1950. Represents the RCAF on all appropriate joint and combined committees in Washington and on other Air matters which concern the RCAF. Represents the RCAF in all dealings with Air Commissions. Commands RCAF Division Canadian Joint Staff, Washington.

Air Commodore Gordon was commissioned in May, 1930 on graduation from the University of Saskatchewan with the degree of B. Sc. in Civil Engineering.

During the early part of his career A/C Gordon served on mapping expeditions and aerial transport work and completed photographic, navigation and armament officer courses. In the summer of 1936 he flew the RCMP commissioner on a 11,000 mile inspection trip of the North. He was on exchange duties with the RAF on coastal operations during the two years preceding the outbreak of war returning to Canada in 1939. He was promoted to Flight Lieutenant on April 1, 1936 and to Squadron Leader on April 1, 1939.

At the outbreak of war he was a member of a Bomber Reconnaissance Squadron at Dartmouth and in November, 1939 he was posted to the command of a Squadron. Other positions held during the war years included command of a Flying Training Station in Canada and a Bomber Station and Base in the UK. On return to Canada in May, 1944 he was posted to AFHQ as Deputy Air Member for Supply and Organization. A/C Gordon was promoted to his present rank in May, 1945 while filling this appointment.

In September, 1946 he was appointed Air Officer Commanding North West Air Command and in March, 1947 was appointed Air Member of the Canadian Joint Staff and Air Attache in Washington. He held this appointment until January, 1950 when he was transferred to his present position as Group Commander, Maritime Group HQ, Halifax.

Leave: 21 days annual leave and 3 days travelling time.

A/C M. M. Hendrick

Air Member Canadian Joint Staff, Washington. He was promoted to his present rank and appointed to his present position as Air Member of the Canadian Joint Staff and Air Attache in Washington in December, 1949. Represents the RCAF on all appropriate joint and combined committees in Washington and on other Air matters which concern the RCAF. Represents the RCAF in all dealings with Air Commissions. Commands RCAF Division Canadian Joint Staff, Washington.

A/C Hendrick graduated from the University of Toronto in 1932 with the degree of BA. He entered McGill University and graduated in 1934 with a Master's Degree in Science. He was appointed in the RCAF at that time.

Following pilot training, he served in an Army Co-operation Squadron as Pilot and Signals Officer. He attended a Specialist Signals Officer course at Cranwell in the UK in 1937 and on his return was employed as an instructor at the Wireless School. He was promoted to Flight Lieutenant on April 1, 1938 and to Squadron Leader on May 1, 1940.

After the outbreak of war he proceeded to Number 3 Wireless School in Winnipeg to be Chief Instructor. He served in Washington from January, 1942 to May, 1944 as Chief Signals Officer and then proceeded to the UK. He returned to Canada in August, 1945 and was employed in a staff capacity until January, 1948 when he was appointed Commanding Officer of Station Edmonton.

In July, 1948 he was appointed Senior Air Staff Officer at North West Air Command HQ Edmonton.

Leave: Nil.

G/C L. J. Birchall

Senior Air Staff Officer for the Canadian Joint Staff in Washington during 1949-50. Accredited as the Air Attache to the Canadian Ambassador to the USA.

G/C Birchall was commissioned in July, 1937 on graduation from RMC. In November, 1938 he received his pilot's wings and was posted to an operational coastal squadron. At the beginning of the war he was serving on coastal operations in Canada. He was promoted from Flying Officer to Flight Lieutenant in January, 1940 and promoted to Squadron Leader in March, 1941. During this time he held the position of Flight Commander and Detachment Commander in an operational coastal squadron.

He proceeded to the UK in December, 1941 and was employed on coastal operations. In April 1942 he proceeded to Ceylon. Shortly after arrival in Ceylon on April 4, 1942 he sighted and reported the Japanese naval forces that attacked Ceylon. He was shot down and became a prisoner of war and was released in October, 1945. He was promoted to the rank of Wing Commander in August 1942 at which time he was a prisoner of war.

In April, 1946 he was appointed Director of Personnel Administration at AFHQ. He attended the USAF Armed Forces Staff College from January to June, 1948 and in July, 1948 he was appointed Assistant Air Attache in Washington. He was promoted to his present rank November 1, 1948.

Leave: 30 days.

USE OF TRANSPORT BY CANADIAN JOINT STAFF,
WASHINGTON

The foregoing officers may use for duty purposes a light car with military driver from the Military Transport Pool maintained for the use of the Canadian Joint Staff Mission in Washington.

No aircraft nor marine vessels are supplied for use by these officers.

PAY, ALLOWANCES, EXPENSES, ETC., RECEIVED BY PERSONNEL ON STRENGTH, CANADIAN JOINT STAFF,
WASHINGTON, D.C., U.S.A., DURING FISCAL YEAR 1949-50

PARTICULARS				PAY		ALLOWANCES						MISCELLANEOUS		TOTAL
Service No.	Rank	Name	Period Served 1949-50		Subsistence	Marriage	Separated Family's	Supplementary	Rental	Tuition, Books, etc. (Children)	Travel	Club Fees	Moving Expenses	Total Pay All'nces, Expenses, etc.
			From	To										
027600	Cmdre	V. S. Godfrey	1 Apr 4922	July 49	362 60	148 00		1,887 76	382 14		76 55	100 00	344 93	5,440 58
041040	Cmdre	H. N. Lay	15 July 4931	Mar 50	862 00	352 00		5,103 19	1,285 98		585 84	100 00	767 86	14,143 27
058390	Cdr	F. J. D. Pemberton	1 Apr 4931	Mar 50	1,056 00	480 00		6,920 00	1,147 48		373 96	100 00		14,253 44
							NAVY							
							ARMY							
ZP1849	Brig	H. E. Taber	1 Apr 4931	Mar 50	1,176 00	480 00		6,948 00	2,183 50		178 60			17,902 10
ZP1229	Col	L. G. Clarke	1 Apr 4914	Sep 49	513 87	218 67		2,946 87	625 05				178 13	6,855 12
ZP1621	Col	A. E. Wrinch	8 Dec 4931	Mar 50	357 20	150 67		1,260 00	587 53		22 00		240 92	4,384 89
ZM1863	Maj	R. F. Walker	8 Dec 4931	Mar 50	312 63	150 67		1,033 60	554 80				261 99	3,417 32
ZB1075	Capt	W. C. Leonard	1 Apr 4915	Dec 49	693 50	380 00		1,620 00	174 86				251 08	5,326 94
							AIR							
132	A/V/M	H. L. Campbell	21 Oct 4931	Mar 50	536 67	210 00		3,207 20	945 43		739 78		70 95	9,252 03
133	A/C	R. C. Gordon	1 Apr 4919	Jan 50	944 67	385 33		3,656 67	1,377 53		728 61	100 00		12,760 88
161	A/C	M. M. Hendrick	9 Jan 5031	Mar 50	271 13	110 07		1,379 20	666 33		131 30			4,157 16
775	G/C	L. J. Birchall	1 Apr 4931	Mar 50	1,128 00	480 00		5,001 00	1,791 00	200 00	487 22			14,295 22

Item No. 2

TABLE SHOWING APPORTIONMENT OF RENTAL PAYMENTS BETWEEN MEMBERS OF THE DEFENCE FORCES ABROAD AND THE GOVERNMENT

Rank	Gross Amount of Monthly Rental	Individual's Share	Government's Share
Captain (Navy), Colonel, Group Captain and above	\$180 or less	\$90, or the gross rental, whichever is the lesser	Balance of the rental
	over \$180	\$90 plus 10% of excess over \$180	Balance of the rental
Commander, Lieutenant-Colonel, Wing Commander	\$150 or less	\$75, or the gross rental, whichever is the lesser	Balance of the rental
	over \$150	\$75 plus 10% of the excess over \$150	Balance of the rental
Lieutenant-Commander, Major, Squadron Leader	\$130 or less	\$65, or the gross rental, whichever is the lesser	Balance of the rental
	over \$130	\$65 plus 10% of excess over \$130	Balance of the rental
Lieutenant (Navy), Captain, Flight Lieutenant	\$120 or less	\$60, or the gross rental, whichever is the lesser	Balance of the rental
	over \$120	\$60 plus 10% of excess over \$120	Balance of the rental
Sub-Lieutenant, Lieutenant, Flying Officer and ranks above Chief Petty Officer, 2nd Class, and Warrant Officer, Class 2	\$100 or less	\$50 or the gross rental, whichever is the lesser	Balance of the rental
	over \$100	\$50 plus 10% of excess over \$100	Balance of the rental
Chief Petty Officer, 2nd Class and Warrant Officer, Class 2	\$80 or less	\$40, or the gross rental whichever is the lesser	Balance of the rental
	over \$80	\$40 plus 10% of excess over \$80	Balance of the rental
Ranks below Chief Petty Officer, 2nd Class and Warrant Officer, Class 2	\$60 or less	\$30 or the gross rental, whichever is the lesser	Balance of the rental
	over \$60	\$30 plus 10% of excess over \$60	Balance of the rental

NOTES.

1. Where any rental agreement involves a payment in the nature of "key money", or where the Government's share of the rental as calculated according to this schedule is greater by \$900 or more per annum than the individual's share, the case shall be submitted to the Treasury Board for approval.
2. When computing the Canadian dollar equivalent of a rental expressed in foreign currency, the rate at which the Government of Canada may purchase that currency from the Bank of Canada on the 1st day of the month in which the tenancy commences shall be used. The Canadian dollar value of the rental after being determined as aforesaid, shall remain fixed as established for the first month of the tenancy unless the rate of exchange for the foreign currency fluctuates by more than 50%. Tenancies existing on March 31, 1949, shall, for the purposes of this order, be regarded as commencing on April 1, 1949.

Item No. 3

Page N.56—Canadian Corps of Commissionaires—\$680,423.94

This item covers payment to the Canadian Corps of Commissionaires—whose headquarters is in Montreal—for the security guarding of various service installations across Canada. Payments were made at the following locations:—

Halifax, N.S.	\$ 271,618.48
St. John, N.B.	6,573.13
Quebec, P.Q.	24,533.84
Montreal, P.Q.	186,460.10
Ottawa, Ont.	73,527.84
Kingston, Ont.	24,569.92
Toronto, Ont.	29,660.63
London, Ont.	11,009.52
Winnipeg, Man.	12,187.84
Regina, Sask.	19,571.20
Calgary, Alta.	3,827.20
Victoria, B.C.	16,884.24
Total	<hr/> \$680,423.94

*Canada, Public Accounts,
Standing Committee on, 1951 CA1 RE1*

SESSION 1951

HOUSE OF COMMONS

Government
Publications

STANDING COMMITTEE

ON

PUBLIC ACCOUNTS

CHAIRMAN—Mr. L. PHILIPPE PICARD

MINUTES OF PROCEEDINGS AND EVIDENCE

No. 22

TUESDAY, JUNE 19, 1951

WITNESSES:

Right Hon. C. D. Howe, P.C., M.P., Minister of Defence Production;
Mr. W. D. Low, O.B.E., Managing Director, Canadian Commercial
Corporation.

OTTAWA
EDMOND CLOUTIER, C.M.G., O.A., D.S.P.
PRINTER TO THE KING'S MOST EXCELLENT MAJESTY
CONTROLLER OF STATIONERY
1951

MINUTES OF PROCEEDINGS

HOUSE OF COMMONS, Room 430.

THURSDAY, June 14, 1951.

The Standing Committee on Public Accounts called to meet at 11:30 o'clock a.m., was at 11:45 o'clock a.m., for lack of a quorum, postponed to the call of the Chair.

Members present: Messrs. Anderson, Boivin, Croll, Fleming, Fraser, Fulton, Harkness, Nowlan, Richard (*Gloucester*), Stewart (*Winnipeg North*), Wright.

TUESDAY, June 19, 1951.

The Committee met at 11:30 o'clock a.m., the Chairman, Mr. Philippe Picard, presiding.

Members present: Messrs. Anderson, Ashbourne, Blue, Boisvert, Boivin, Campney, Cleaver, Cloutier, Croll, Fraser, Fulford, Harkness, Helme, Kirk (*Digby-Yarmouth*), Major, Picard, Richard (*Ottawa East*), Riley, Robinson, Stewart (*Winnipeg North*), Wright.

In attendance: Right Hon. C. D. Howe, P.C., M.P., Minister of Defence Production; Mr. G. J. McIlraith, M.P., Parliamentary Assistant, and the following officials of the Canadian Commercial Corporation, namely: Mr. W. D. Low, O.B.E., Managing Director; Mr. W. J. Atkinson, O.B.E., General Purchasing Agent; Mr. F. F. Waddell, Secretary and Legal Adviser; and Mr. Frank L. Trethewey, Purchasing Agent, Aircraft Section.

The Committee resumed consideration of Public Accounts for the fiscal year ended March 31, 1950.

Mr. Howe, in response to the invitation formulated on June 7, appeared before the Committee. The Minister was asked a number of questions relating to contracts let during the fiscal year 1949-50 now under review. At the conclusion of his testimony the Minister was thanked by the Chairman on behalf of the Committee for his attendance.

The adjourned examination of Mr. Low was resumed. The witness gave answers to a number of questions asked of him at previous sittings and he was briefly questioned thereon.

And the examination of Mr. Low still continuing; the said examination was adjourned to the next meeting.

The Chairman informed the Committee that Mr. A. Ross, Associate Deputy Minister of National Defence, was due to leave the country in the next few days to attend a NATO meeting in Europe.

In order that Mr. Ross may be questioned with respect to some of the returns tabled by him on behalf of the Department of National Defence, it was agreed that a meeting for that purpose be held tomorrow, in addition to that proposed for Thursday, June 21st.

At 1.10 o'clock p.m., the Committee adjourned to meet again at 3.30 o'clock p.m., Wednesday, June 20th.

ANTOINE CHASSÉ
Clerk of the Committee.

Note: Information having reached the Chairman, to the effect that Mr. Ross' departure was delayed, the meeting of Wednesday, June 20th, was cancelled, and the next meeting called for 11.30 o'clock a.m., Thursday, June 21st, as previously arranged.

EVIDENCE

JUNE 19, 1951

11.30 a.m.

The CHAIRMAN: Gentlemen, we have a quorum. On June 7 a resolution was adopted by this committee which reads as follows:

That the Right Hon. Mr. Howe, Minister of Defence Production, be invited to appear before this committee with regard to contracts let during the fiscal year 1949-50.

Mr. Howe expressed his pleasure to come before us and stated that this morning, June 19, would be a suitable date for him to appear. He is now here and is at the disposal of the members of the committee. Are there any questions, gentlemen?

Mr. FRASER: Mr. Chairman, it would appear that Mr. Howe has a statement in front of him.

Right Hon. Mr. HOWE: No. I have no statement. I was invited to come here and I am here. I was merely looking over some figures which I thought might be helpful if I were asked to answer questions.

Mr. FRASER: The questions are just on the contracts of 1949-50 and nothing else.

The CHAIRMAN: That is the order of reference to this committee on public accounts; the accounts of 1949 and 1950.

Mr. WRIGHT: Mr. Chairman, could Mr. Howe give us some idea of how this matter of taking delivery at the point at which a contract is made rather than at the point where the contract is fulfilled is working out? It has been stated, as far as eastern Canada and certain parts of western Canada are concerned, that the freight rates are quite an item in deciding whether a contract can be successfully bid on or not. Mr. Howe stated in the House the other day that it worked both ways. Of course it will work both ways; but it seemed to a great many of us that there has been, perhaps, more moving about of goods than would be necessary, according to the freight charges that we have here in the public accounts this year. It would appear that there may be some duplication, and that goods which are for use in the west, perhaps, are shipped east and again shipped back to depots in the west. Is there duplication such as that? And if so, can such duplication be avoided? And to what extent do freight rates act against suppliers in certain parts of the dominion in the way of affecting their ability to compete for contracts?

Right Hon. Mr. HOWE: I would say that the freight rates really worked in favour of the non-manufacturing provinces. How much possibility for duplication of shipment there is, I would not know. Manufacturers are asked to produce certain goods and deliver the goods to certain places. They pass out of our jurisdiction at that point of delivery. Should the goods be reshipped later by the armed forces, I would not know. The major activity, of course, for the navy is certainly on both coasts. And I would think that for the air force there are more units of population at the coasts than there are inland. Certainly their training would be. The delivery points with respect to the air force are wherever the units are stationed. That definitely would be so. And it is natural that the freight costs

would be higher in outlying places. Without that protection, one might have difficulty in selling goods anywhere. But with that protection, they do expect to do a very considerable business.

Mr. WRIGHT: Well, the freight rates structure as it exists at the present time prevents the letting of subcontracts in areas such as western Canada or eastern Canada.

Right Hon. Mr. HOWE: Oh, no, no! Subcontracts could be in the nature of aircraft. In fact, a great deal of that type of work is being subcontracted in Winnipeg today. A \$2 million subcontract was placed in Winnipeg not very long ago. I was particularly interested in it going through. Freight is not very important on subcontracts of that kind because the value of the material is so high that the freight is not a large proportion of it. But in the case of foodstuffs it is quite different. The value is low and the freight is high in proportion to the foodstuffs.

The CHAIRMAN: Are you through with your questions, Mr. Wright?

Mr. WRIGHT: No. In the matter of supplying certain equipment to airports such as snow removal equipment and that type of equipment, which is fairly heavy equipment, do you order such equipment from just one contractor, or are there contracts let to certain areas in which the equipment is required?

Right Hon. Mr. HOWE: What kind of equipment do you have in mind?

Mr. WRIGHT: Oh, such things as snow removal equipment, and heavy equipment for building airports, and so on.

Right Hon. Mr. HOWE: Equipment for building airports and heavy equipment of that nature is usually supplied by the contractor.

Mr. WRIGHT: Supplied by the contractor?

Right Hon. Mr. HOWE: Yes. But road rollers which are permanent equipment would be bought. I think there is only one source in the case of snow blowers. They operate in various places. I think the nearest firm for the production of snow blowers happens to be a firm in Quebec. Usually the contractors near the site of the project will follow the policy almost invariably, and in fact show a preference, of buying or acquiring their equipment where they can. But naturally if they can buy it nearer home, they do buy it nearer home.

Mr. STEWART: Under certain conditions it might be quite uneconomical to have industries built up in outlying areas. Nevertheless, in view of the dangers which might befall the country if we get into a war, has any policy been evolved as to whether or not we should decentralize industries by trying to build them up in other areas, even though it might be uneconomical to do so?

Right Hon. Mr. HOWE: We also have in mind the desirability of doing that, but unfortunately in building an industry there must be first an industry there to begin with. We cannot move an industry into an area. That is not our practice and it is not possible for us to do it anyway.

Mr. STEWART: It would appear to be that within a year or two there may be a serious shortage of electric power. Now, electric power is a commodity which it is just as important to stockpile as anything else. Has any consideration been given to assisting the provinces in the creation of more electric power?

Right Hon. Mr. HOWE: We had a policy which extended throughout the last war. But we do not build power plants or help in the building of power plants. That is a provincial job. The power is owned by the provinces. Should you once take that path and do it for one province, it is pretty hard to refuse it for another. We would be getting outside our own field.

Mr. STEWART: I am putting it from the point of view of the provinces, and from the point of view of the dominion as a whole, and I think it is very important that we should stockpile electric power in so far as is possible.

Right Hon. Mr. HOWE: It is our policy that we avoid friction with the provinces; and I am afraid we would engender a great deal of friction if we attempted to invade their field.

Mr. WRIGHT: Does that apply to the St. Lawrence waterway?

Right Hon. Mr. HOWE: As far as power is concerned, it does. There is no suggestion that we take any part in the power development of the St. Lawrence waterway.

Mr. RILEY: I wonder, Mr. Chairman, if the minister could tell us if his department has considered the idea of restricting bids on certain commodities to certain areas? I have in mind that this is one method, as between the eastern and western provinces, which might give some sort of assistance. Consider, for instance, shoes. If the army wanted, let us say, 20,000 pairs of shoes, would it not be possible and in the public interest, as well as from the standpoint of the welfare of the eastern and western industries, to restrict bids, let us say, for 5,000 pairs of shoes to maritime concerns, and 5,000 pairs of shoes to western firms?

Right Hon. Mr. HOWE: I do not think that would be the way to do it. We have distributed contracts for the manufacture of shoes. We have done so consistently and we have paid more for shoes in the maritimes than we would have had to pay for them in Quebec. You can only do that if the firm also has a reasonable amount of business. This is the money of all Canada and we have to be careful not to discriminate against any part of Canada. But we do pay more for shoes in the maritimes than we do in other parts, and that applies in the west as well.

Mr. RILEY: Consider different commodities. There are a number of commodities which could be easily purchased in the provinces to the east or the west, but the firms there are not able to compete. The margin must be very large.

Right Hon. Mr. HOWE: What have you in mind?

Mr. RILEY: Well, the first item which comes to my mind is boots and shoes. But I think the same would apply to clothing and to a number of various items which are rather in demand by the armed services.

Right Hon. Mr. HOWE: I think you will find that in proportion to the capacity to produce, Maritime firms have been running in a higher proportion of government business than firms in other provinces. That is probably so because they are not running as high on their ordinary business as firms in other provinces. The main trouble with distributing business to non-industrial provinces is that there is no nucleus to build around. For example, we are criticized a good deal because we do not buy from Saskatchewan. Yet the sources of supply in Saskatchewan are so few that it is almost impossible to buy in Saskatchewan. And to a limited extent, of course, that applies in the maritime provinces. But if we can get a firm which can make something which we can buy, we support it. We insist, of course, on getting their price into line, if they can do it, and they have done it.

Mr. RILEY: Would not that procedure help to establish a nucleus?

Right Hon. Mr. HOWE: We think that if some enterprising maritimers will undertake to establish a nucleus, we would be happy to support them. But it is not within the capacity of my department to establish new industries somewhere. We have not the talent to do it. It is not a job for the government anyway.

Mr. WRIGHT: Did you not establish Research Enterprises during the last war?

Right Hon. Mr. HOWE: Yes, and we built it around some very able people in the city of Toronto who managed and looked after it for us.

Mr. WRIGHT: Today you are back in the same position where you will have to get something like Research Enterprises to produce, for example, radar, electrical equipment, and all the other goods that are needed. Would it not be possible for you to establish a similar plant in the maritimes? Many of the people from the maritimes came to work in Research Enterprises; and it seems to me that a light industry such as that, producing that type of equipment, is something which could be diversified and spread in other parts of the dominion.

Right Hon. Mr. HOWE: We have done what we could. We have helped, for example, the province of Nova Scotia to bring in Cossor Canada Limited, a British firm, and we have supported them with orders. They are doing well and growing. But to encourage an enterprise you must have managerial and technical skills available there to start it. You cannot transport thousands of people into a new area.

Mr. WRIGHT: It seems to me that you could transport the managerial skill.

Right Hon. Mr. HOWE: Unfortunately, that is not true. How can you make a man move from Toronto to Saskatchewan?

Mr. WRIGHT: You made hundreds of people move from Saskatchewan to Toronto during the last war in order to get jobs. So it seems to me to be easier to move managerial skill than to move hundreds of people to work in a particular industry. That is the point we would like to have discussed and would like to see some action taken on, because you are never going to establish industries in either the maritimes or in the west if you insist that there be managerial skill there first. There is no managerial ability there until industries are established. There is no managerial ability there because industries have not been developed. So it seems to me that if that managerial ability could be distributed, it would be easier and would create less inconvenience to thousands of people than it would be to have those thousands of people concentrated in, let us say, Toronto, Montreal, and so on.

Right Hon. Mr. HOWE: The trouble is, if you have the managerial ability and the industry and the machinery, you can bring in the necessary men by offering them financial inducement. But you cannot buy the kind of ability it takes to set up a plant and make it a successful plant.

Mr. FRASER: Is not the reason also that in places like Toronto, Hamilton or Peterboro you can get personnel there who are skilled and who can do the little odds and ends, and make patterns, and do all the things by which such plants are set up?

Right Hon. Mr. HOWE: I do not regard that as my function. But you will find here and there people with life-long training in the management of enterprises of that kind, and they have worked up through the ranks to managerial positions; and they are located where they want to exercise their enterprise. You must remember that this is a free enterprise country.

Mr. WRIGHT: In the case of Research Enterprises the government picked the spot where it would be established and I still think that, for the good of the country as a whole, we are making a mistake in not diversifying. And if the government is not prepared to give leadership in diversifying industry, well certainly private enterprise is going to remain concentrated in the regions with better climate, so far as the west is concerned. Perhaps a maritimer would not admit that there was better climate in Ontario than there is in the maritimes. But if we get into a war, and if we are likely to get bombing and that type of thing, we believe it would be better to spread our industries; and it seems to me that now is the time when we should start.

Right Hon. Mr. HOWE: I agree with you that it is better for Canada to get these industries spread but I do not know how to do it. I do not think the way to do it is to go out and start an industry in a place where it cannot prosper. There is no use in establishing an industry, let us say, in Saskatchewan,

if it could not survive beyond a certain period. I recall that General Motors went out to Regina and established an assembly plant and a glass plant but the project could not succeed and it took Regina years to get over the jolt that it got.

Mr. WRIGHT: I admit that there is no use whatever in establishing an industry which is simply a war industry and which is only going to be there for the period in which the emergency exists, and which cannot be transferred into some kind of peacetime production. But even though it might be uneconomical, I still think there are certain light auxiliary industries which could be spread more deeply across the dominion than we are doing at the present time.

Right Hon. Mr. HOWE: I do not know of any province which has done a better job in establishing light industry during the last ten years than Manitoba, and Winnipeg particularly. Winnipeg has established a lot of industrial plants in the last ten years. That was not done by the government, but it was done through industry and by means of the people of Winnipeg.

Mr. WRIGHT: Yes, and the fact that they had power available there. I am prepared to admit that we in Saskatchewan have not got the power and we won't have it until we get some development of the Saskatchewan river.

Right Hon. Mr. HOWE: But you have cheap oil there, and I would think there was a chance, so far as oil is concerned, to develop power from that source.

Mr. WRIGHT: Yes, I think so, and that will be developed. There is also the fact that many industries are moving into Alberta. And there is one other point in connection with the Polymer Corporation. They have done a very good job. And it is in my mind that possibly an extension to the Polymer Corporation might be transferred to the west. We use a lot of rubber in the west. And if that basic material were produced in the west, it seems to me that rubber companies might follow suit and establish manufacturing plants there, and that a lot of freight could be saved. At the present time we are moving oil all the way to Sarnia from the west, and we transfer it into rubber and take the rubber back to the west in the form of manufactured materials, such as tires and so on.

Right Hon. Mr. HOWE: Related industries are being established now. Salinas is a petro-chemical industry which makes much of the raw material which goes into rubber. If someone wanted to establish a rubber plant in the west, there would be some cheap raw material nearby.

The CHAIRMAN: May I interject in connection with Polymer that I was chairman of one of the war expenditure sub-committees which made an analysis of Polymer. One of the reasons they are located where they are is this: It is not a question of oil at all; it is on account of the water. The water in the St. Clair river remains at a temperature of 55° at all times; and that allows them to produce synthetic rubber more cheaply than in any of the American plants where they have to cool the water artificially before they can use it. That is the reason which the experts gave as to why Polymer is located where it is. And besides that, they had a pipe line whereby they could get oil from the States. But today that would not apply because they get their oil from the west. So if you can find a place where they have the same advantage with respect to temperature of the water, it would help Polymer to produce there.

Mr. WRIGHT: There is a lot of cold water out there in the west.

The CHAIRMAN: Are there any other questions?

Mr. RILEY: Mr. Chairman, going back to the question of industries in the maritimes and in the west, the minister said that he sees no way whereby assistance can be given, whereby light industries can be established in the maritimes and in the west because it is not the function of the government—the government has no powers in that respect.

Right Hon. Mr. HOWE: I did not say the government could not assist. The government will assist, but the government cannot do the job.

Mr. RILEY: Well, I think now unconsciously, and without intending to do it, the government is being responsible for further retarding the progress in the maritimes.

Right Hon. Mr. HOWE: I do not think so.

Mr. RILEY: We have industries in the Atlantic provinces which are capable of doing work in connection with the present defence efforts. We have foundries, we have die casting plants—small ones—machine shops, and because these industries presently are not able to retain the skilled labour that they have built up in the area and trained over a period of years, when this present crisis is over they are going to be infinitely worse off because the labour force will not be there—they are losing their skilled labour to the central provinces.

Right Hon. Mr. HOWE: In those plants you speak of are they not all working to capacity now?

Mr. RILEY: Some are and some are not.

Mr. FULFORD: Mr. Chairman, I would like to give an example to our maritime and western friends in regard to an order for heavy castings for turbine engines and propeller shafts. The firm I have in mind is capable of producing these castings but it was established by the government that it would be better that the maritimes should get this contract, and the result was it went to the Dominion Steel and Coal Company despite the fact that heavy presses had to be installed in their plant at Trenton, Nova Scotia. I want to bring that out because I believe there is some attempt being made to diversify our industry in this country.

Right Hon. Mr. HOWE: I can assure you we never lose an opportunity to help a firm in the less industrialized areas of the country. Our people have instructions to do that, and they have authority to pay a bit more money for goods if necessary. We make that a matter of policy.

Mr. FRASER: Did your department advance funds during 1949-50 for expansion to any business across the country?

Right Hon. Mr. HOWE: In 1949-50?

Mr. FRASER: In 1949-50.

Right Hon. Mr. HOWE: No. We have since that time though.

Mr. FRASER: There was nothing in 1949-50?

Right Hon. Mr. HOWE: No.

The CHAIRMAN: In connection with what Mr. Howe stated a moment ago as to what advantage it might be to a city to start something from scratch, might I interject this? In Quebec city, for instance, during the last war the government built at Valcartier and in its vicinity—there already existed a nucleus—tremendous facilities to produce ammunition, and the same thing applied to Levis across the river where they established ship building capacity to handle ships up to 10,000 tons. However, once the war was over the government had no reason to carry on business. The result was that the reaction in Quebec was felt tremendously. About 10,000 or 12,000 people were employed in Valcartier, and when the need for ammunition had ceased these people found themselves on the labour market. The vicinity of Quebec was left with many more unemployed than in Ontario, in the localities where the government used existing private plants, for they were in a position to transfer their activities from war production to peace production. Once the war was over they successfully transferred their operations to peacetime production and were able to keep a large portion of their labour force still employed. In Quebec we were not able to do that, because the government was operating the plant. The reaction on the labour market was felt a great deal more because as I said before the government could not then go into private business. Of course, they

still employ some of these skilled labour forces, numbering about 800 or 1,000 men. As I said, this situation was felt acutely in Quebec and it would be the same in the western provinces if the government went itself into production activities in these provinces. I must say however, that be it as it may, we would be delighted in Quebec if production at Valcartier was substantially increased.

Are there any more questions to be asked of the minister?

Right Hon. Mr. HOWE: Of course, there is one difference, if I may add, between the situation that exists today and during the last war that has made it difficult for us to spread this business as much as we would like. In the early days of the last war the main program was the provision of shells. We could put such work almost anywhere; machine shops could make shells, and we could send a shop special equipment and it could start making shells; but in the situation that exists today we are not using many shells and there has been no large demand for them. Any shells we need can be made in the government's arsenals. That has been the drawback in diversifying our production; it has interfered with providing work to small machine shops, of which there were a number in New Brunswick making shells in the last war. If we had many shells to make we could get these shops swinging again but we do not have the demand for shells. Similarly, we could turn out motor vehicles in unlimited quantities but that is of no use to us today because there is no large demand for motor vehicles.

Mr. HARKNESS: Do you use the Industrial Loans Act to attempt to spread industry at all?

Right Hon. Mr. HOWE: The department has nothing to do with that aspect of industrial development; that is the function of the Department of Finance.

Mr. HARKNESS: I know it is under the Department of Finance but does your department tie in with the Department of Finance very closely in regard to those industrial loans?

Right Hon. Mr. HOWE: No, we simply say the financial set up is someone else's responsibility. If they need capital assistance, and if we need the plant and cannot get along without the plant, we will put in the plant and retain ownership of the assets provided.

Mr. HARKNESS: Pay no attention to the Industrial Loans Act at all?

Right Hon. Mr. HOWE: No, that is something else. If we give capital assistance we own the facility we create, it is ours.

Mr. HARKNESS: It has always seemed to me that something could be done in this matter of spreading industry by the operation of the Industrial Loans Act and making it easier for people to get loans in these smaller places.

Right Hon. Mr. HOWE: I think it is true that the industrial bank is aggressively in the business of lending money to worthwhile cases. I think the industrial bank is glad to get the business, but the industrial bank is running a business the same as we are and they have to be their own judges whether the enterprise is creditworthy or not.

Mr. HARKNESS: Have you any branch in your department which advises people who want to start up business as to where favourable locations might be?

Right Hon. Mr. HOWE: Yes, there has always been a branch of the Department of Trade and Commerce for that purpose.

Mr. HARKNESS: Do they do anything along this line at all, we will say, attempting to persuade people to establish industries?

Right Hon. Mr. HOWE: No, all we do is give them the facts. They usually have a list of questions they want to ask, such as where can they find such and such, and we give them that information.

The CHAIRMAN: You mean it is left to private enterprise to come to the government and ask for information and the government supplies it. It is not for the government to go ahead and try to convince them, but if they think they want the information the government will supply the information.

Mr. HARKNESS: I think a certain amount of propaganda work might be done by that branch of your department.

Right Hon. Mr. HOWE: We think the propaganda work should be done by the localities interested. The moment we start propagandizing one part of Canada against another we might have a little trouble on our hands.

Mr. HARKNESS: But you say it would be a desirable thing to have industries spread.

Right Hon. Mr. HOWE: I do.

Mr. HARKNESS: This is one way you might do a little of that.

Right Hon. Mr. HOWE: It is one thing to support the theory and another thing to go out and use government money to advance that theory.

Mr. HARKNESS: It would not be supporting the theory to use government money to do the thing I mentioned; but as you say it is one thing to support the theory in words but when it comes to do something definite it is different.

Right Hon. Mr. HOWE: One thing we can do—if a man has an idea and he gives some evidence that he can make a success of his enterprise we will help him, but we cannot go into the place where there is no industrial effort at all and start an industry.

Mr. FRASER: You say you will help. What do you mean by that, financial or technical help?

Right Hon. Mr. HOWE: He may need some work, we can give him some; or he may need some capital assistance to carry out some important work, such assistance could be given.

Mr. FRASER: Does your department have a branch that maps and lists available factory sites and factories or plants that can be used for certain purposes?

Mr. WRIGHT: Mr. Howe, do you think it would be a good idea if people, say in the province of Saskatchewan, who have small plants, would get together and decide among themselves what they could do and then approach the department with an offer as to what equipment they have available and what type of product they could handle.

Right Hon. Mr. HOWE: I am very skeptical of anything coming out of that. If a man has a plant and comes here and tells us what he can do, we can help him; but it is doubtful if you get a committee together—that is not apt to be helpful.

Mr. WRIGHT: One of the reasons why we were anxious about what was taking place—I know you are not responsible for this—is that in the year we have under review here, 1949-50, for the acquisition, construction, and purchase of property by the armed forces—you just filled the orders and after the armed forces turned them over to you—the army spent \$53,604,418.55 for that purpose. \$30,136 of that was spent in Saskatchewan. The navy spent \$40,688,000, and not one cent was spent in Saskatchewan. The air force spent \$77,502,575.55, and not one cent of that was spent in Saskatchewan. The total expenditure for the acquisition, construction and purchase of property was \$171,107,682.38, of which \$30,136 was spent in the province of Saskatchewan, and included in that figure was a contract for \$12,000 for the construction of some oil tanks that went to a Winnipeg firm. Now, it was because of those figures that we felt that, as far as the Defence Department was concerned, they apparently blacked us out as far as the acquisition of property, or the spending of any money in that province was concerned.

Now, you gave us some figures the other day which indicated that it is not as bad as that probably right now, but in the year under consideration, 1949-50, it was just a complete blackout as far as our province was concerned, and it was the only province in which that occurred. I mean every other province had several millions of dollars spent in it, even the Northwest Territories and the Yukon. I do not know whether you would care to comment on that fact.

Right Hon. Mr. HOWE: All I can say is that situation is being rapidly corrected. When the air force decided to add to their air training program in the prairies that decision called for a great deal of construction work that is being carried out now. As far as I know every firm in Saskatchewan that is capable of doing a job on any scale is busy. Eldorado Mining and Refining has gone into northern Saskatchewan to start a very big development there. Other firms are following in. That development might be a tremendous factor over the years. All these things build up, and if your people will capitalize on the activity that is going on now you will come out very well. I might mention that I notice the province put on the automobile licence plates this year "the wheat province".

Mr. FRASER: It might be wheat but you are not getting the dough!

Mr. RILEY: The minister brought out an interesting point when he said he doubted if groups or committees coming to Ottawa with an outline of a number of plants and their capacities and information as to what kind of work they could perform would be of very much assistance, but he did say that individuals coming up here representing individual firms might obtain something beneficial in the way of knowledge at least as to what might be available for that particular type of business. Now, my experience has been with small manufacturers that I encourage them to do that, but they have a feeling that in coming up here they would be bothering the government or they might not be welcome. I wonder if the minister would say a word on that.

Right Hon. Mr. HOWE: We have a department of government especially designed to take care of small industries, to take their people in hand and show them what work there is and give them all the help they can in getting those contracts, but I simply say a group does not help. One man will come up here and say: I will do this or that and I can subcontract some more in my area—that approach is helpful. But when a group comes along they are not usually the kind of people who can put a definite proposition before us. The small man is well taken care of in my department, I can assure you, and we are organizing constantly to make it better.

Mr. RILEY: Then, the minister's department would welcome approaches made by individuals?

Right Hon. Mr. HOWE: Yes, any man who can do a job can come up here and see what we have to offer and he will be well taken care of.

Mr. RILEY: That also applies to the small industrialists who are seeking subcontracts from the prime contractors?

Right Hon. Mr. HOWE: That is right. We put him in touch with the prime contractor.

Mr. STEWART: Is it possible for the minister to say that those coming here are well taken care of but there are examples where a man, say a manufacturer of galvanized equipment, finds himself in the position today that he is not able to get a normal supply such as he used to get, in fact he is getting nowhere near it? Now, what steps are being taken to assure a fair distribution of, say, galvanizing material throughout the country to smaller manufacturers who have only started in business in the last two or three years?

Right Hon. Mr. HOWE: As you all know, we are short of steel and short of galvanized steel. We take care of war requirements in full and then try to see that the rest is equally divided.

Mr. STEWART: Well, this particular man I am thinking of is not getting one-third of what he was getting last year.

Right Hon. Mr. HOWE: That man had no local supplier and used to shop around here and there and everywhere; there are several angles on where he might have bought his steel; with the result that he has not now a regular supplier. That position is a handicap today. It is pretty hard to get people to take on new customers, but we are trying to help that lad; I think we are giving him some help.

Mr. FRASER: Is there any regulation on the galvanizing of steel wire, screening and anything of that nature? Galvanized screening that we have bought over the last two or three years lasts now only about a year, whereas previously it used to last for quite a long time.

Right Hon. Mr. HOWE: Zinc is in short supply now, and domestic consumers may not be using quite as much zinc as they used to. That is one of the disabilities of being short.

The CHAIRMAN: Are there any questions pertinent to our order of reference? You will notice that most of the questions have been on matters of policy that did not fall within our province. I have allowed them to be asked nevertheless so that everybody may have the fullest freedom in this regard but are there any questions pertinent to the 1949-50 public accounts before the minister retires?

Mr. FRASER: Last week the minister spoke about bread contracts. I believe it was on the question of freight being included in the price of bread. Is not bread all shipped by the companies themselves? Do they not pay the freight themselves on the bread they manufacture?

Right Hon. Mr. HOWE: The best illustration of what might happen is this: The price of bread in Toronto is cheaper than it is in Saskatchewan. If the freight rates were not taken into consideration then the army might be buying bread in Toronto to supply their camp in Saskatchewan. I just use that as an illustration to show the absurdity of the thing.

Mr. FRASER: Could you say what the average price of bread was in 1949-50?

Right Hon. Mr. HOWE: No, I pulled that out of the hat.

Mr. WRIGHT: I still think there are bakers in Regina who compete and who could sell bread just as cheaply as the one in Toronto.

The CHAIRMAN: Are there any further questions? Well, I must now thank the minister for his coming to us today and for his courtesy and his willingness to deal with all questions asked.

Right Hon. Mr. HOWE: I am glad to have had the opportunity to come before your committee, Mr. Chairman. Have my officers been giving you the required information?

The CHAIRMAN: Yes. We have had the necessary information from all the officers who have come before us.

Right Hon. Mr. HOWE: Good.

The CHAIRMAN: Thank you very much. Before we proceed, I think it has been agreed that Mr. Wright had a question concerning the Northwest Territories which he wanted to ask of Mr. Low.

Mr. WRIGHT: No. My question concerned the Northwest Highway system.

The CHAIRMAN: Oh, the Northwest Highway system. I am sorry. We shall call Mr. Low.

Mr. W. D. Low, O.B.E., Managing Director of the Canadian Commercial Corporation, called:

Mr. WRIGHT: I asked for a return. Any question I would have to ask would be based on that return. Is the return here?

The CHAIRMAN: Yes, the return is here.

By Mr. Wright:

Q. Could we have the return?—A. A question was asked whether the grading was done by private contractors. The grading on the Northwest Highway was done by the Department of National Defence.

Q. Yes. How much gravel was put on the highway this year under discussion? What new grading was done? How many miles of subsidiary highway had to be taken care of besides the 1,221 miles indicated in the report? How much money was spent on the air strips which have to be kept in condition alongside the highway? I wanted a complete break-down of how this \$7¼ million was spent on that highway, in view of the fact that in my own western province, in Saskatchewan, we operate some 8,000 miles of highway on a budget of \$8 million. Out of that budget of \$8 million we regravell some 1,200 miles of highway and we black top two or three hundred miles. So this expenditure seemed to me rather high unless there was a lot of new construction work going on.—A. All the work on the Northwest Highway was done by army engineers and we have no information as to the quantity of materials used or the cost of performing that work. That is something which the Department of National Defence would have to answer.

The CHAIRMAN: We will take a note of that question and when Mr. Drury comes back he can answer it.

Mr. WRIGHT: It was asked of Mr. Drury and a return was promised. That is all. I would not have any question if we had that return.

The CHAIRMAN: Mr. Drury is coming back here after we are through with this witness. He can complete the answers to certain questions which have been asked, and this would be one of them.

The WITNESS: At one of the previous meetings I was asked to table the principal forms used by Canadian Commercial Corporation in carrying out its functions. I have those forms here. First of all, there is the invitation to tender. That is form CCC-1-R. Then acceptance of tender form which is form CCC-2-R. I also have copies of costing memo CCC-80. And I wish to table them.

By Mr. Fraser:

Q. With respect to this tender form, supposing a company does not get the form in time to tender, can they tender by letter? Would a letter be accepted?—A. They usually get it in time. We send it out with a return envelope.

Q. Yes, but some company might not have got the form.—A. If they did not receive the form in time to prepare the tender, they might submit a tender by a telegram or letter and we would accept it up to the closing hour of tenders; sometimes we are asked to extend the closing date, and if possible we do so. Sometimes this is not possible because the stores are urgently required by the Department of National Defence.

Q. So a letter or a wire would do?—A. Yes, sir. It should be followed up, of course.

Q. Yes, with the completed tender form followed up with the proper form?—A. Provided a telegram or letter is received before the closing date of the tenders.

The next question asked was as to the number of contracts over \$1 million in value, during the year 1949-50. There were nine such contracts, and they totalled \$50,744 odd. The particulars are as follows:

A. V. Roe, Toronto	\$ 9,380,000	CF 100 aircraft
Canadair, Montreal	29,478,450	Prod. F 86 Fighter- Cap. Ass't and tooling
Irvin Air Chute, Fort Erie	1,177,200	Parachutes
E.G.M. Cape and Co. Montreal	1,629,063	New barracks— HMCS Stadacona
C.G.E. Ottawa	2,600,000	Electronic equipment
Canadian Arsenals Ltd., Ottawa	2,764,246	Electronic equipment
Foundation Company of Canada, Ltd., Mont- real	(1) 1,650,000 (2) 1,000,000 (3) 1,065,756	Construction work at Churchill, Manitoba

By Mr. Stewart:

Q. When a contract is let by the department, let us say, for work which would involve some secrecy, what process does the department follow? Does the department take any steps with regard to the security of the employees concerned?—A. Yes sir, definitely.

Q. They are all cleared by the department or by the company, but in what way?—A. All officers and employees of a company, who may be called upon to deal with any classified information, must first be screened before they can obtain that information.

Q. But you do not have any responsibility to see that this process has been taken? Supposing you had to let a contract to some company and it is decided that one or two of its employees were untrustworthy. Would the employees have any recourse whatsoever?—A. It has been the practice if an employee was found to be untrustworthy, that we would advise the company that the employees were not to be given access to classified material.

Q. Do you advise the practice?—A. No. We advise the contractor that these employees must not be given classified information.

By the Chairman:

Q. How do you reach that conclusion? Do you make use of the Mounted Police?—A. Yes sir, we use the R.C.M.P.

By Mr. Fraser:

Q. I think the list which Mr. Low has just given us illustrates what the Right Hon. Mr. Howe was trying to explain to Mr. Wright, that in connection with the Canadian General Electric contract at Ottawa, that amount of \$2,600,000 would be spread over the dozens of factories which they have here in Canada.—A. That is quite right, sir.

By Mr. Wright:

Q. How much of the material in those contracts was delivered in the year under review?—A. I am sorry, but I have not that information.

Q. What were the contracts of Foundation Company, Montreal, about?
—A. Those were contracts for construction work at Churchill.

Q. They were all for construction work at Churchill?—A. That is right.

Q. Does this company do anything else but construction work?—A. No, they are construction contractors.

Q. What was the total of those three contracts?—A. There was one at \$1,650,000; one at \$1 million; and the third was \$1,065,756.

Q. And that was all done at Churchill?—A. Yes, at Churchill.

The CHAIRMAN: The next question?

The WITNESS: The next question was in connection with repairs to the Peace River bridge. A question was asked: Did the cost of office staff consist of anything other than salaries for the purpose of determining over-head? The answer to that is: No. We paid the net cost to the consulting engineer of his office and field personnel including salaries and living allowances, travel, maintenance, and operating expenses for the period the said office and the field personnel were directly and solely engaged in the performance of services, and an amount as overhead equal to 50 per cent of the salaries exclusive of living allowance and travelling and other expenses paid to the office and field personnel by the consulting engineer during the period that they were directly and solely engaged in the performance of the services.

The next question asked was also concerning the Peace River bridge, and the period that Dr. Pratley worked. He worked from November 1947 to June 7, 1949.

The next question was in connection with repair works carried out on the Peace River bridge. Did the construction contractor receive a fee based on the rental of plant and machinery?—I have since reviewed the contract and I find that the contractor was paid a fee of 5 per cent based on the total cost of the work not including an overhead and was allowed 10 per cent of such cost, to cover overhead. The cost of the work included plant and machinery in accordance with the usual practice.

The plant rental was 5 per cent per month of the replacement value on Diesel and gas driven plants, and 3 per cent per month of replacement value on all other items of plant.

By Mr. Fraser:

Q. Who placed the value on that machinery?—A. The cost of the equipment would be checked by our engineers when they were considering or negotiating the contract.

Q. And that would be for machinery on the job, whether working or not?
—A. That would be for machinery on the job.

Q. Whether working or not?—A. Yes, that is right.

By Mr. Wright:

Q. To come back to the Foundation Company, on what date did they take over any construction work at Churchill? I understand that there was a firm of engineers who were carrying on construction work, and they turned it over in 1947 or 1948 when I was up there. Apparently the Foundation Company of Montreal took over that work at a certain date during this year; or was it in 1948 when they started?—A. I am sorry. I have not the information concerning the Foundation Company. But I do know that several contracts were let to the Foundation Company in 1948.

Q. Do you know if this company does work outside of the port of Churchill, that is, in other areas of the north, or are all of these contracts to take care of work done actually at the port of Churchill itself?—A. I am sorry, I cannot give you the exact location where this construction work has been carried on.

The CHAIRMAN: Have you any other answers?

By Mr. Fraser:

Q. You cannot answer the question because of protective reasons?—A. No. I would have to speak from memory. I do know there were other contracts with the Foundation Company.

Then there was a question asked by Mr. Fraser in regard to construction contracts. The first of these was in connection with the new barracks at H.M.C.S. Stadacona. That is to be found on page N-31, concerning an expenditure of \$355,000. There were two contracts, one with E. G. M. Cape and Company, Montreal, and the other with Fetherstonhaugh, Durnford, Bolton and Chadwick, Montreal.

The contract with E. G. M. Cape and Company covered the construction of the new barrack block and was awarded on September 1, 1949, at a price of \$1,629,063. Tenders for this work were invited by advertisement in the *Canada Gazette*, the *Daily Commercial News and Building Record*, and the public press, and E. G. M. Cape and Company submitted the lowest price.

The contract with Fetherstonhaugh, Durnford, Bolton and Chadwick provided for architectural and engineering services in connection with the design of the new naval barracks at H.M.C.S. Stadacona, and was awarded on August 16, 1949.

There were only two firms in Eastern Canada, namely, C. A. Fowler and Company, Montreal, and Fetherstonhaugh considered to have the necessary experience, trained personnel and facilities to handle a project of this type. The Fowler Company due to other commitments was unable to provide the services required, and since the Fetherstonhaugh Company were familiar with the type of building required, having previously designed similar buildings, the contract was awarded to that company.

The next item on which information was requested by Mr. Fraser is shown on page N.35 of the public accounts and is in regard to the aerodrome development at Summerside, P.E.I., for which is shown an allotment of \$1,006,000. There were two contracts involved, one with Curran and Briggs Limited, Toronto, and the other with Milton Hersey Company Limited, Montreal. The contract with Curran and Briggs Limited covered construction of runways at the R.C.A.F. station at Summerside and was awarded on June 23, 1948, at a price of \$938,570. Tenders for this work were invited by advertisement in the *Canada Gazette*, the *Daily Commercial News and Building Record*, and the public press, and Curran and Briggs Limited submitted the lowest price.

The contract with Milton Hersey Company Limited, Montreal, covered inspection of the work of construction of runways at the R.C.A.F. station at Summerside and was awarded September 8, 1948. There were three firms considered in a position to carry out this inspection from whom tenders were invited. Two tenders were received and contract was awarded to Milton Hersey Company Limited, who submitted the lower price.

The next item on which Mr. Fraser asked for information appears on page N. 35 of the public accounts under the heading "Camp Borden Married Quarters", for which is shown an allotment of \$434,000. Details of the contracts are as follows:—

Hill-Clark-Francis Limited, New Liskeard, Ontario—This contract was for the construction of 60 houses for permanent married quarters at the R.C.A.F. stations, Camp Borden, and Angus, Ontario, and was awarded September 16, 1948, at a price of \$442,740. Tenders were invited by advertisement in the *Canada Gazette*, the *Daily Commercial News and Building Record*, and the public press, and Hill-Clark-Francis Limited submitted the lowest price.

Hill-Clark-Francis Limited, New Liskeard, Ontario—This contract provided for the construction of 240 houses for permanent married quarters at Camp Borden for the army, and was awarded October 7, 1948, at a price of \$1,939,602. Tenders were invited by advertisement in the *Canada Gazette*, the *Daily Com-*

mercial News and Building Record, and the public press, and this company submitted the lowest price.

Ainsworth Electric Company Limited, Toronto, Ontario—This contract provided for the supply of power distribution, street lighting, and fire alarm systems for the married quarters project for the R.C.A.F. stations at Camp Borden and Angus, Ontario. It was awarded on May 31, 1949, at a price of \$11,428. Tenders for this work were invited by advertisement in the *Canada Gazette*, the *Daily Commercial News and Building Record*, and the public press, and Ainsworth Electric Company Limited submitted the lowest price.

E. C. S. Cox, Islington, Ontario—This contract provided for architectural services incidental to the supervision of construction of 60 houses for permanent married quarters at the R.C.A.F. stations, Camp Borden and Angus, Ontario, and it was awarded on February 7, 1949. E. C. S. Cox was chosen for this work because this firm prepared the plans and specifications for the construction of these houses. These are known as the "Cox" houses and because of this and the close proximity of this company to the site, it was considered that the work could be done more efficiently and economically by this company.

Gore and Storrie, Toronto, Ontario—This contract provided for engineering services covering design and supervision of the constructions of roads, sewers, and water systems for the permanent married quarters at the R.C.A.F. station, Camp Borden, Ontario, and was awarded on April 13, 1948. Due to staff limitations, it was not possible for National Defence to take care of this work itself, and Gore and Storrie was selected because it was considered to have the necessary engineering experience and trained personnel and facilities to satisfactorily provide the services required. In addition this company was providing services of this type under another contract in connection with the permanent married quarters being erected at Trenton, Ontario, and was also acting in a consultant capacity in connection with other work previously carried out at Camp Borden.

The next item appeared on page N-37 of public accounts and was in connection with the aerodrome development at Rivers, Manitoba, for which is shown an allotment of \$1,846,000. Details of the contracts are as follows:—

Schumacher-MacKenzie Limited, Winnipeg, Manitoba—This contract provided for the supply and installation of lighting system for runways and taxi strips at the C.J.A.T.C., Rivers, Manitoba. It was awarded on September 28, 1948, at a price of \$93,985. Tenders were invited by advertisement in the *Canada Gazette*, the *Daily Commercial News and Building Record*, and the public press, and this company submitted the lowest price.

Tomlinson Construction Company Limited, Toronto, Ontario—This contract provided for the construction of concrete runways at the R.C.A.F. station, Rivers, Manitoba, and was awarded on July 31, 1947, at a price of \$1,120,868.20. Because of the need to get this work started before the freeze-up it was considered impractical to advertise in the press for tenders. We therefore sent invitations to tender to 11 contractors who we considered to be all of those qualified to undertake a project of this magnitude, all of whom had submitted tenders for work of a similar nature on previous occasions. Tomlinson Construction Company Limited was the only company who submitted a tender and since the prices quoted were considered fair and reasonable it was awarded the contract.

Milton Hersey Company Limited, Montreal—This contract provided for inspection and testing of concrete, mixing and placing of concrete, and the sealing of joints in the runway at the R.C.A.F. station, Rivers, Manitoba, and was awarded on August 2, 1947. Tenders were invited from 5 firms who were all those considered qualified to carry out work of this kind and Milton Hersey Company Limited submitted the lowest price.

By Mr. Stewart:

Q. How much was that?—A. The estimated value of the contract was \$7,600.

The next item Mr. Fraser questioned appeared on page N-40 in respect of road contracts in Quebec and Ontario. There were 5 such contracts, two of which appear on page N-40 and 3 on page N-41. The details are as follows:—

K. J. Beamish Construction Company, Limited, Toronto, Ontario—This contract covered repairs to roads and the approachways, magazine area, Number 13 "X" Depot, R.C.A.F., Angus, Ontario, and was awarded on September 20, 1949, at a price of \$8,655. Tenders were invited by advertisement in the *Canada Gazette*, the *Daily Commercial News and Building Record* and the public press. K. J. Beamish Construction Company Limited submitted the only tender and since the prices were considered fair and reasonable, it was accepted.

By Mr. Riley:

Q. Mr. Chairman, before Mr. Low proceeds further, I gather from the extensive answers he has given that most of these contracts which he has been describing in answer to questions put are low tender contracts. Is that not right?—A. That is correct.

Q. How much would you estimate the cost would be, just approximately, to the people of Canada for extracting this information, and the loss of time involved in the department's representatives being here? What would it cost per meeting?—A. At this meeting?

Q. Yes.—A. I would not hazard a guess; but it does involve a great deal of extra work.

Q. Would it possibly involve a cost to the people of Canada of as much as \$10,000 to \$15,000 per meeting, for you to be here and to gather this information?—A. I could not say.

Mr. FRASER: Mr. Chairman, I think that is a difficult question. This committee was organized for one purpose only, and that was to go into the accounts. That is what we are trying to do.

The CHAIRMAN: For once I will agree with Mr. Fraser. I would be the first to oppose any suggestion that our activities be curtailed. I think it would be hard for the witness to express an opinion on the value of his services by sitting here.

It is now one o'clock, but before we adjourn I have one matter I wish to mention. The associate deputy minister of National Defence, Mr. Ross, has to leave later in this week to attend a NATO meeting in Europe. I was asked by the deputy minister whether, if we had further questions of Mr. Ross, we could set a meeting of the committee for tomorrow afternoon at 3.30 in order that we may conclude any questions of Mr. Ross in that connection with different items that he has brought before the committee.

I propose, therefore, that we meet tomorrow afternoon at 3.30 and then our next regular meeting will be on Thursday at 11.30.

By Mr. Wright:

Q. There is one further matter I would like Mr. Low to comment on or bring information on. I speak of the Foundation Company contracts at Churchill. Were those cost plus contracts or were there bids on them?—

A. They were all cost plus contracts—cost plus a fixed fee.

Q. There were no bids?—A. There were no tenders.

Q. No tenders at all?—A. No.

The CHAIRMAN: The meeting stands adjourned.

The committee adjourned.

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REPORT TO THE HOUSE

THURSDAY, June 21, 1951.

The Standing Committee on Public Accounts begs leave to present the following as a

SECOND REPORT

Your Committee recommends that details of salaries below \$5,000, paid to civil servants, be omitted in the preparation of Public Accounts as required by Section 38 of the Consolidated Revenue and Audit Act, 1931.

All of which is respectfully submitted.

L. PHILIPPE PICARD,
Chairman:

MINUTES OF PROCEEDINGS

HOUSE OF COMMONS, Room 430.

THURSDAY, June 21, 1951.

The Standing Committee on Public Accounts met at 11.30 o'clock a.m. The Chairman, Mr. L. Philippe Picard, presided.

Members present: Messrs. Anderson, Ashbourne, Benidickson, Blue, Boisvert, Boivin, Campney, Cauchon, Croll, Gibson, Helme, Kirk (*Digby-Yarmouth*), Major, Picard, Richard (*Ottawa East*), Sinclair, Weaver, Wright.

In attendance: The following officials of the Canadian Commercial Corporation: Mr. W. D. Low, O.B.E., Managing Director; Mr. W. J. Atkinson, O.B.E., General Purchasing Agent and Mr. F. F. Waddell, Secretary and Legal Adviser.

Before proceeding with the business of the day the Chairman explained that the meeting called for Wednesday, June 20, had been cancelled because word had reached him to the effect that Mr. A. Ross, Associate Deputy Minister of National Defence, would be available to appear before the Committee at a later date due to the fact that his departure for Europe had been postponed. Further, much of the material upon which the Committee wished to question Mr. Ross had not on Wednesday been printed.

The Chairman referred to the order of the Committee, of June 12, respecting items 11 and 12 of Appendix "A" to the Minutes of Proceedings and Evidence of that date. He explained that the information contained in these items was of the same character as that of uncollectible debts due the Crown, the details of which the Committee, on May 31, had agreed to consider as confidential and not to be publicized. For that reason he had taken upon himself to withdraw from publication these two returns which are now in the hands of the clerk and available to the members. The Committee agreed.

The Committee discussed at length the question of the preparation of Public Accounts.

On motion of Mr. Croll, seconded by Mr. Major,

Resolved,—That the Committee recommend that, in future, in the preparation of Public Accounts as required by Section 38 of the Consolidated Revenue and Audit Act, 1931, details of salaries below \$5,000, paid to civil servants, be omitted.

It was agreed that the Chairman do so report to the House.

The Chairman informed the members that further returns from National Defence had been deposited with the Clerk of the Committee and had been printed in addendum to the Minutes of Proceedings and Evidence of June 12. These returns are as follows:

Item

Particulars

1. Statement dealing with Canadian Joint Staff, at Washington, D.C., U.S.A.—Duties and Background of Personnel during Fiscal Year 1949-50.
2. Table showing Apportionment of rental payments between members of the Defence Forces abroad and the government.

3. Answer to question by Mr. Fraser—re Canadian Corps of Commissionaires. (Page N. 56 of the Public Accounts, 1949-50.)

The Committee then resumed consideration of the public accounts for the fiscal year ended March 31, 1950.

Mr. Low's examination was continued. The witness read into the record answers to questions asked at previous meetings and he tabled other returns which were ordered to be printed as Appendices "A" and "B" to the day's Minutes of Proceedings and Evidence. At the conclusion of his evidence the witness and his aides were discharged. A vote of thanks was extended to the officials of Canadian Commercial Corporation.

At 12.10 o'clock p.m., the Committee adjourned to meet again at 11.30 o'clock a.m. Tuesday, June 26.

ANTOINE CHASSÉ,
Clerk of the Committee.

EVIDENCE

JUNE 21, 1951,
11.30 a.m.

The CHAIRMAN: Gentlemen, the meeting is open. Before we proceed with the witnesses, I would like to give a word of explanation to the members about the meeting that was supposed to have been held yesterday at the suggestion of the deputy minister of National Defence. He had told us previously that probably the associate deputy minister might be leaving for a NATO conference and that if we still needed Mr. Ross he could appear before us yesterday. On the other hand, the material that had been produced by Mr. Drury and Mr. Ross at one of the earlier meetings, had not yet been printed or distributed. Then Mr. Drury called and told me Mr. Ross was not leaving for Europe right away so we decided to postpone yesterday afternoon's meeting. This report of the minutes of proceedings and evidence is now in the hands of the members. We will therefore call Mr. Drury and his associate deputy minister next week so we can deal with that part of our work.

Now, before we go ahead I want to advise the committee that I took upon myself to do something contrary to what the committee had decided. It had been decided to print all the reports that were deposited with us by Mr. Ross. Two of these reports dealt with delicate matters concerning private individuals. One was a report as to how a man who had, shall I say, stolen money had been sentenced and had tried to pay part of the money. The man has a wife and children, and I did not think it would really be in the public interest to have that printed, and have that man's family and children humiliated.

Of course, this record is still official and it will be in the clerk's office for consultation but it has been withdrawn from the printed record.

There was also a list of uncollectible moneys owing to the Department of National Defence for 1949-50. It contains many so-called irregularities by members of the forces that had been investigated. The men had served time in the clink or in whatever place in the army they serve time, and many of these men are married and have children; so I took it upon myself to ask the clerk to withdraw the list from the printed record. These details are available, however, at the clerk's office. I trust I may be pardoned or excused for not having followed the instructions of the committee and I wanted to give this explanation this morning.

Mr. SINCLAIR: Since we are on this matter, I would like to raise the point that I raised about two or three weeks ago concerning the matter of form of the public accounts. I said to the committee that we could get rid of a great number of these pages of details on the salaries paid to junior civil servants, and if we could do that it would be a very great help to the department; it would also be a real economy in the comptroller general's office. They have started to work on next year's public accounts and they would like to have an instruction from this committee, and the government will follow any such instructions. It was suggested to me that the level of salaries should be \$4,000. In the new form of the estimates every position is listed but the names are not opposite the salaries; but all the information is there. We can save at least 100 pages in the publication of this public accounts. Mr. Croll asks me if \$4,000 is enough. I think myself that if the heads of branches were identified by names that would be sufficient, but even with the \$4,000 limit we can save at least 100 pages of this public accounts. The actual cost of printing

this public accounts volume last year was \$36,000. When you add to that the actual cost of assembling information, information that is never used by any member of parliament, I think we could effect a really substantial saving as far as the principal documents interesting this committee are concerned; but I would like to have this committee take action on this as soon as possible because work is now going ahead and the comptroller's office is assembling the public accounts on the basis of past issues.

The CHAIRMAN: May I suggest at this moment that since we have very little time left and this matter is urgent, there should be a motion made, if members agree to that. If a motion is made now and accepted, I could draw up an interim report and submit it to the House so that the committee's views would be expressed on this specific matter right away no matter how long we still spent on other matters and whether or not we can reach a complete report on our work.

Mr. RICHARD (*Ottawa East*): I think the committee ought to consider \$4,000 as a sufficient limit. I notice the senior officials start at \$4,740. I think if we could get some views from somebody who knows, it would help us. I think \$5,000 would certainly be a good limit.

The CHAIRMAN: Yes, because \$4,000 would take in the principal clerks who are not in a high executive position. So whether it is John or James I do not think it matters much to the public as long as their salaries are listed without their names as is being done in the estimates.

Mr. GIBSON: I think, too, the \$5,000 limit would be satisfactory. It seems to me it is rather an unwarranted invasion of a man's privacy to publish these figures. I feel so long as we know the position—

Mr. SINCLAIR: At any time any member of parliament who wants to know what any specific civil servant is getting can get that information by writing to the Civil Service Commission who will answer him, or he can ask a question on the order paper. But publishing those names in this book is just an endless waste of paper, printing and the time of the staff of the comptroller general's office.

Mr. GIBSON: We do not know yet the salary of the President of the Canadian National Railways. He has never been listed, but he will be receiving more than \$5,000, I gather.

Mr. RICHARD (*Ottawa East*): I do not think it is only members of the Public Accounts committee who make use of this information listed here. It is used for other purposes than this committee. I would imagine collectors make use of this more than we do.

Mr. SINCLAIR: While the opposition did object to any change in the travelling allowances, I would say that we would continue to print travelling allowances above \$500. There is no objection to continuing that practice.

Mr. CROLL: Suppose a man receives \$3,300 and he has travelling expenses above \$500, how would you save any printing there?

Mr. SINCLAIR: Exactly the same way as we do now. We list people who get less than \$3,000 if they get more than \$500 travelling expenses.

Mr. CROLL: How will you save any printing?

Mr. SINCLAIR: There are so few of them who travel.

The CHAIRMAN: Could I get a motion on that?

Mr. CROLL: I will so move. We will have to word the motion later.

The CHAIRMAN: I will have to have a motion so that I can put it in the report.

Mr. CROLL: I will move "that civil servants who receive more than \$5,000 continue to be listed in public accounts, and others who are paid less than \$5,000 be omitted from the details of salaries in the public accounts as now constituted for the year subsequent."

The CHAIRMAN: Is that motion acceptable to the committee?

Mr. WRIGHT: Just a moment before that motion carries, Mr. Chairman. How many of these do not come in certain classifications? Are they all classified?

The CHAIRMAN: Oh yes. Civil servants have all to come within one or another category, but as Mr. Sinclair has explained, this will not prevent the publishing of their travelling expenses, but adopting this motion will reduce the cost of printing considerably.

Mr. SINCLAIR: Outside help, legal fees, and other professional fees received will be printed as they are now.

Mr. WRIGHT: Only civil servants who receive less than \$5,000 a year will be omitted from the public accounts.

The CHAIRMAN: Yes. If an attorney or a civil engineer or a firm is paid for services by the government they will also get their names in the accounts if they are paid more than \$5,000.

Mr. SINCLAIR: The point of the Comptroller of the Treasury is this: With our expanded activity and with civil servants listed by departments with salaries shown in the estimates, if any member of this committee or anyone wants to find further information he can ask questions and get the information in the House. The only information we give here at great expense is putting names to those civil servant's positions. I think there is interest in the higher civil servants, undoubtedly, not only for the bill collectors but for members of parliament, so they would continue to be printed.

The CHAIRMAN: Shall the motion carry?

Carried.

I will so draft a report to the House for this afternoon and will ask for concurrence.

Mr. SINCLAIR: I would like to make a second comment. This Public Accounts committee was requested by the Conservative party members. We have held several meetings. We have here this morning three of the top officials of the Department of Defence Production, who have important matters in hand, and I think it is a shame that in this committee there should not be one single Conservative member of the committee. They have demanded or requested the appearance of these officials who have a great many other things to do at this moment. And I want that on record as a comment on the attendance of the Conservative party from the leader down who is a member of this committee and who to my knowledge has not yet appeared this year.

The CHAIRMAN: Are there any comments?

Before we carry on with our work I would like to state that three other documents have been produced by the Department of National Defence and have been tabled and will be printed as an appendix. They are already printed, as a matter of fact. I sent them to be printed with the report of the meeting before last. One was a statement dealing with Canadian Joint Staff at Washington, D.C., U.S.A., the duties and background of personnel during fiscal year 1949-50. Another was a table showing apportionment of rental payments between members of the defence forces abroad and the government. The third was in answer to a question by Mr. Fraser regarding the Canadian Corps of Commissionaires. That enlarges on an item on page N-56 of public accounts 1949-50.

We have again with us this morning Mr. Low and officials of his corporation. They still have a number of answers in reply to questions that have been sent in in writing or otherwise by members. They will take quite a bit of time this morning. I wonder if members could make up their minds, if they have any further questions, to submit them now so we can carry on with our work next week, and try to liberate these witnesses this morning. We are intending to have another meeting with Mr. Drury and Mr. Ross. If we could get finally to the point where we can make a report or say something about the work we have done up to now, that would be well. I would suggest, to save time, and if it is agreeable, that many of the answers that are to be given here this morning should be tabled; just have the answers deposited. I am in the hands of the committee on that, of course. If members have any questions and will ask them this morning, we could conclude this business. We have had these witnesses here now for about nine meetings and the officials from the Department of National Defence for about fourteen. If the House adjourns in a week or two we will not have much time to reach any conclusion as to the work that has been done. I have 'phoned to members of the other parties to tell them that it was my intention to suggest this morning that we should try and reach a conclusion on this kind of work we have now before us. Yesterday, I tried also to reach some of the members of the subcommittee dealing with the uncollectible debts. After our first meeting I was asked to draft a report. The report was ready yesterday, but I could not get any of the members to agree to meet yesterday. I am trying to get them to meet this afternoon or evening so we can conclude that piece of business. So with your permission I will ask the witness in presenting the numerous answers that are still to come in, instead of reading all of them into the record, to give us an idea in just a few words of what the question was and his answer, and these will be printed in full as an appendix. Is that agreeable or do you want me to have them read? It would take about one and a half hours to read them.

Mr. WRIGHT: Unless the member who asked the question is here I do not see any reason why Mr. Low would have to read the answer.

The CHAIRMAN: I think that is a fair approach because many questions are asked by members who are not here and it would save time if Mr. Low just tabled them; but if any question was asked by a member who is here the member will have a right to say he would like to have it read.

Mr. W. D. Low, O.B.E., Managing Director, Canadian Commercial Corporation, called:

The WITNESS: Mr. Chairman, it was my intention to continue to answer the questions asked by Mr. Fraser but in view of your remarks I will merely indicate the names of the contractors to whom those construction contracts were awarded. I may say that most of these are road construction or repair contracts in the provinces of Quebec and Ontario: R. A. Blyth, Toronto, Ontario—road repairs at R.C.A.F. Station, Aylmer, Ontario; Johnson Brothers Company Limited, Brantford, Ontario—repairs to roads at the R.C.A.F. Station, Clinton, Ontario; H. J. McFarland Construction Company Limited, Picton, Ontario—repairs and improvements to R.C.A.F. Station roads, Trenton, Ontario; H. J. McFarland Construction Company Limited, Picton, Ontario—repairs to runway and drainage system at R.C.A.F. Station, Trenton, Ontario; Scott-Jackson Construction Limited, New Toronto, Ontario—improvement of drainage and surfacing of roads at R.C.A.F. Station, Weston, Ontario; Davis, Ripley and Associates, Edmonton, Alberta—engineering services incidental to design and supervision of road construction, water, sewer and power installations at R.C.A.F. Station, Fort Nelson; Poole Construction Company, Limited, Edmonton, Alberta—construction of

lean-to and repairs to buildings at R.C.A.F. Station, Fort Nelson, B.C.; Davis, Ripley and Associates, Edmonton, Alberta—engineering services incidental to design and construction of roads, and installation of water, sewer, power distribution, et cetera, at R.C.A.F. Station, Fort St. John; North American Building Limited, Winnipeg, Manitoba—covering supply of 20 prefabricated houses for R.C.A.F. Stations at Fort Nelson and Watson Lake; Poole Construction Company, Limited, Edmonton, Alberta—conversion of buildings to temporary married quarters at Watson Lake, Yukon Territory; Poole Construction Company, Limited, Edmonton, Alberta—construction of 50 houses for permanent married quarters at Whitehorse, Yukon Territory; Main and Rensaa, Edmonton, Alberta—engineering services in respect of 50 houses at R.C.A.F. Station, Whitehorse, Yukon Territory.

I may say, Mr. Chairman, that most of these contracts were awarded after tenders had been invited and in those cases the contracts were awarded to the lowest tenderers.

The CHAIRMAN: That information will be printed as exhibit A of today's proceedings.

Next answer, please.

The WITNESS: Mr. Chairman, I was asked a question by Mr. Johnston regarding the total purchases of Alberta coal. The total tonnage of Alberta coal purchased for the Department of National Defence during the fiscal year under review was 69,113 tons. Of this quantity 27,053 tons was purchased for units in British Columbia. The total tonnage of coal purchased from all sources for units in British Columbia was 50,118 tons.

Mr. SINCLAIR: I do not want to interrupt but again even here we could save time if the witness said I have the answer to Mr. Fraser's question on coal and I will table it.

Mr. GIBSON: Was it not Mr. Pearkes' question?

The CHAIRMAN: It was a question by Mr. Johnston which arose during the discussion between General Pearkes and Mr. Johnston as to the merits of Alberta coal for use in British Columbia.

The witness says that for his next answer there is nothing which he can table and he will give the explanations verbally.

The WITNESS: These questions were asked by Mr. Gordon Fraser with respect to contracts placed with Levy Auto Parts Limited, Toronto. I find that there are a large number of contracts involved in item N-60 and instead of getting the details of each contract I have selected four of the largest and I would like to give the information on those.

The first one covered 328 items of Weatherhead fittings. Sixteen firms were invited to tender and thirteen firms submitted tenders, including Weatherhead. Levy Auto Parts submitted the lowest aggregate bid on the 328 items and were low on 215 items. The value of the contract was \$12,875.89. The next lowest tender received was \$13,201.42.

Mr. BOISVERT: We have no quorum now.

The CHAIRMAN: I do see one and I will ask in the circumstances that the committee carry on this morning to have the work done. If the members will agree we can have this information produced this morning and conclude this evidence.

The WITNESS: The next item was a contract for 72 items of General Motors military type vehicle spares. Twenty-two firms were invited to tender and 4 firms submitted tenders. Levy Auto Parts submitted the lowest quotation on 48 items valued at \$24,242.58 and was awarded the contract for those items.

Mr. BENIDICKSON: Was that for new or used equipment?

The WITNESS: I cannot tell you, sir.

Mr. GIBSON: Were they General Motors parts, did you say, Mr. Low?

The WITNESS: Yes, General Motors parts.

Mr. SINCLAIR: Next?

The WITNESS: The next order was for 11 items of spares for Dodge three-quarter ton vehicles. Fifteen firms were invited to tender and 6 firms tendered, including Chrysler. Levy was low on 2 items valued at \$24,886.12 and was awarded the contract. To give you some idea of the prices tendered, on one item, a case assembly, Levy quoted a price of \$85.80. Chrysler quoted \$143 and United Auto Parts quoted \$130.

The next contract was for spares for Willys jeeps—75 items. Eleven firms were invited to tender and 5 tendered. Levy was low on 53 items valued at \$27,530.25 and was awarded the contract.

I may say all of the items on this long list of contracts issued during the fiscal year under review were for military vehicles or tanks.

Mr. HELME: I wonder if Mr. Low could tell us whether the parts supplied were 'genuine original parts' or 'will fit' parts? It seems rather strange that an outsider could provide parts at prices lower than the manufacturers themselves.

Mr. RICHARD (*Ottawa East*): It is the policy of the company not to outbid its dealers.

Mr. HELME: But \$114 as against \$85 is quite a large difference and I wonder if they are genuine replacement parts.

The WITNESS: That is right. I may say that one reason for the difference would be that these were for military pattern vehicles and the manufacturers themselves were not in production.

Mr. Chairman; Mr. Fraser asked some questions in connection with contracts awarded to Marine Industries Limited. The expenditures during the fiscal year 1949-50 on those contracts was \$1,380,638.

Mr. BENIDICKSON: Were they contracts of only a certain type?

The WITNESS: No, that represents all payments made to Marine Industries Limited during that fiscal year, but there are several contracts involved and I have the details here.

Mr. SINCLAIR: Next?

The CHAIRMAN: If those are lengthy we can produce them as appendix B.

The WITNESS: Very well.

The CHAIRMAN: The details of the contracts will be printed as appendix B.

If there are no further questions I think we could release the witness and go ahead with some other work at our next meeting. I wish to express our sincere thanks to Mr. Low and the gentlemen who have been assisting him and, with your consent, at the next meeting on Tuesday morning we will hear Mr. Drury and Mr. Ross in order to complete their evidence.

Mr. WHITE: I would like very much to second your motion of thanks to Mr. Low for his attendance at the committee and for the very efficient way in which he has answered the questions.

Mr. SINCLAIR: I also wish to put something else on the record. The honourable member for Nicolet drew attention some few minutes ago to the fact that there was no quorum. I want to emphasize that there was a quorum here of government members, C.C.F., and Independent members. The fact that other members left after the opening of the meeting was because the people who had asked for the Public Accounts committee, the Conservatives, were absent. The government members did not want to have the committee, and I do not want it later inferred that we had no quorum because there was indifference on the part of the Liberal members. The Liberal members have confidence in the government and they do not feel they need the committee.

Mr. WRIGHT: I resent that remark and I think it should also go on the record that there is going on in the House at the present time a discussion on old age pensions in which some of the members of this committee at least are very interested and they are in the House because of that. You must understand too, and it should go on the record, that the Liberal members on this committee are in a very large majority. The committee is set up on the basis of the representation in the House and at the present time that representation does not represent the actual thought in this country. It does represent the elected members in this country at the present time. I just want that to go on the record.

Mr. BENEDICKSON: I want to say in that connection that I made a count at the time Mr. Sinclair made his remarks and the attendance at this meeting at that time was certainly not in proportion to our representation in the House. There were 17 Liberal members, one C.C.F. member, and one Independent member.

The CHAIRMAN: Gentlemen, the meeting stands adjourned until Tuesday morning at 11.30.

The committee adjourned.

APPENDIX A

R. A. Blyth, Toronto, Ontario.—This contract covered repairs to roads at R.C.A.F. Station, Aylmer, Ontario, and was awarded on June 3, 1949, at a price of \$21,798.00. Tenders were invited by advertisement in the *Canada Gazette*, *Daily Commercial News and Building Record*, and the public press, and R. A. Blyth submitted the lowest price.

Johnson Bros. Company Limited, Brantford, Ontario.—This contract covered repairs to roads, walks, and parade square at the R.C.A.F. Station, Clinton, Ontario, and was awarded on September 17, 1949, at a price of \$37,368.75. Tenders for this work were invited by advertisement in the *Canada Gazette*, the *Daily Commercial News and Building Record*, and the public press, and Johnson Bros. Company Limited submitted the lowest price.

H. J. McFarland Construction Co. Ltd., Picton, Ontario.—This contract covered repairs and improvements to roads at the R.C.A.F. Station, Trenton, Ontario, and was awarded on September 7, 1949, at a price of \$49,970.57. Tenders for this work were invited by advertisement in the *Canada Gazette*, the *Daily Commercial News and Building Record* and the public press, and H. J. McFarland Construction Company Limited submitted the lowest price.

H. J. McFarland Construction Company Ltd., Picton, Ontario—This contract covered the repair of runway and drainage system at the R.C.A.F. Station Trenton, Ontario, and was awarded on November 2, 1949, at a price of \$45,560.00. Due to the lateness of the season and the need to have this work completed before the winter season, there was not sufficient time to invite tenders in accordance with our usual practice. Since H. J. McFarland Construction Company had its equipment and personnel located at the site, a contract was negotiated with this Company.

Scott-Jackson Construction Limited, New Toronto, Ontario.—This contract provided for the improvement of drainage and surfacing of roads at No. 1 Supply Depot, R.C.A.F. Station at Weston, Ontario, and was awarded Oct. 25, 1949, at a price of \$7,277.00. Tenders for this work were invited by advertisement in the *Canada Gazette*, the *Daily Commercial News and Building Record* and the public press, and Scott-Jackson Construction Limited submitted the lowest price.

The next item appears on page N-42 of Public Accounts and concerns Married Quarters, etc., at Fort Nelson, Fort St. John, Watson Lake, and Whitehorse, for which is shown an allotment of \$762,000. Details of the contracts are as follows:—

Davis, Ripley & Associates, Edmonton, Alberta.—This contract covered provision for engineering services incidental to the design and supervision of construction of roads and sidewalks and the installation of water and sewer, power distribution, fire alarm, and street lighting systems required for the Permanent Married Quarters at R.C.A.F. Station, Fort Nelson, and the supervision of erection of 20 houses. It was awarded on July 13, 1948. This company was selected because it was considered to be the best firm in the immediate vicinity to provide the services required efficiently and within a minimum of time.

Poole Construction Co. Limited, Edmonton, Alberta.—This contract covered the construction of a Lean-to to the Airmen's Mess and alterations and repairs to existing buildings, at the R.C.A.F. Station, Fort Nelson, B.C., and was awarded on February 23, 1949, at an estimated cost of \$34,000. Due to the difficulty in determining the exact extent of the work and repairs necessary, it was impossible to prepare detailed plans and specifications and because of the inaccessibility of the site it was considered that the most practical and economical method of having the work completed in the shortest possible time was to award it on a cost plus a fee basis. Poole Construction Company already had its equipment on the site and was selected for the work.

Davis, Ripley & Associates, Edmonton, Alberta.—This contract covered provision for engineering services incidental to the design and supervision and construction of roads and sidewalks and installation of water, sewer, power distribution, fire alarm system, and street lighting system for the Permanent Married Quarters at R.C.A.F. Station, Fort St. John, and supervision of erection of 20 houses. It was awarded on July 13, 1948. This company was considered to be the best firm in the immediate vicinity to undertake this work and complete it efficiently within a minimum of time.

North American Building Limited, Winnipeg, Manitoba.—This contract provided for the supply of 20 prefabricated housing units for the R.C.A.F. Stations at Fort Nelson and Watson Lake, and was awarded on March 2, 1949 at a price of \$180,312. This firm was the only company in Canada at the time manufacturing a prefabricated type house suitable for use in the Arctic.

Poole Construction Company, Limited, Edmonton, Alberta.—This contract provided for the conversion of buildings to temporary Married Quarters at Watson Lake, Y.T., and was awarded on December 6, 1948, at an estimated cost of \$76,160. Due to the urgent need for this accommodation and the inaccessibility of the site and the fact that complete plans and specifications were not available, it was considered that the most practical means of having this work commenced and completed within the time required was to award it on a cost plus a fee basis. Poole Construction Company Limited was selected since it was operating in this area and was considered to be in the best position to complete the project most economically in the time required.

Poole Construction Company, Limited, Edmonton, Alberta.—This contract provided for the construction of 50 houses for the Permanent Married Quarters and supply installation of all ground services and electrical power distribution systems at the R.C.A.F. Station at Whitehorse, Y.T., and was awarded on June 18, 1949, at an estimated price of \$695,000. Due to the urgent need for this accommodation and the inaccessibility of the site the contract was awarded to Poole Construction Co. on a cost plus a fixed fee basis for the same reasons that governed its selection for the work at Watson Lake.

Main & Rensaa, Edmonton, Alberta.—This contract covered the design and supervision of construction of roads, sewer, and water systems, power distribution system and the general development of the site and the design and supervision of construction of 50 houses at the R.C.A.F. Station, Whitehorse, Y.T., and was awarded October 20, 1949. This firm was considered to be the only company in the immediate vicinity with the engineering experience, trained personnel, and facilities necessary to provide the services required and because it was carrying out similar work in that vicinity.

APPENDIX B

Item N-60—Marine Industries Limited, Montreal, \$1,380,638.39 covers the following contracts:

1. Contract	Subject	Amount Paid
30-1-3	Icebreaker	\$ 795,211.67
30-6-12	Maintenance in strategic reserve of 18 Frigates and 19 Bangor Minesweepers	374,062.00
30-1-10	Purchase of Minesweepers "GRANBY" and "DIGBY"	130,000.00
30-5-100	Purchase, repair and conversion of Motor Launches Ex. Q062 and Q111	79,900.00
42-4-2126	Rental Air Compressor	101.00
Local		
Purchase	Fuel oil for Fairmiles	164.22
Local		
Purchase	Rope fenders for Fairmiles	139.50
40-33-8-11	Shackles	1,060.00
T O T A L		<u>\$1,380,638.39</u>

The following are particulars of the above contracts:

2. Icebreaker

This contract covered the construction of an Icebreaker for the Royal Canadian Navy. The selection of the yard to construct the vessel was made by the Canadian Maritime Commission in accordance with the established procedure, and the Canadian Commercial Corporation concurred in the selection. The contract was awarded on the basis of cost plus 5 per cent.

3. Maintenance in Strategic Reserve of 19 Bangor Minesweepers and 18 Frigates.

The Royal Canadian Navy was aware of the fact that Marine Industries had these vessels on hand, and considered that the ships should be kept in strategic reserve and in good condition, although they did not at that time wish to bring them into the Service. The Corporation was, therefore, requested to enter into negotiations with Marine Industries, and as a result a contract was awarded to the Company for the maintenance of the vessels on the basis of a cost of \$7,500 per annum per vessel. The contract included the following terms:—

The 37 vessels to be maintained in a state of partial preservation, as follows:—

- (a) Wire brush and paint with red lead, once a year, all outside surfaces of the hull, deck houses, funnels and ventilators where the paint has peeled off and steel is exposed;

- (b) Scrape the decks and remove all loose paint and cover the entire exposed exterior decks with an approved deck oil, once a year if deemed necessary by the Inspector;
- (c) All exterior moving and steel polished parts of main and auxiliary machinery to be kept greased;
- (d) The interiors and exteriors of the vessels to be cleaned and kept clean.
- (e) Each year, in the Fall, all sea cocks and connections below the water line to be filled with oil to prevent from freezing;
- (f) Boilers to be kept in a state of preservation, lime trays to be filled internally;
- (g) All decks to be kept weatherproof and waterproof;
- (h) All ammunition racks and other equipment on the decks which may cause the vessels to deteriorate will be removed;
- (i) The vessels will be securely moored and the necessary precautions will be taken during the winter to prevent damage by ice.

The company agreed not to dispose of any of these vessels without prior written authorization by the Department of National Defence.

In the event that with the concurrence of the Department of National Defence the Company disposed of any of the said vessels to the Department of National Defence, or otherwise, the yearly payment was to be reduced by an amount determined on a pro rata basis.

All work was to be performed to the satisfaction of the Inspector who was the Chief of Naval Technical Services of the Department of National Defence, Naval Service, or his authorized representative.

4. Purchase of 2 Bangor Minesweepers, the "DIGBY" and "GRANBY".

The Royal Canadian Navy required certain vessels, and it was found that this requirement could be partly satisfied by the acquisition of the above-noted vessels which were owned by Marine Industries Limited. After consultation with the Royal Canadian Navy, and the Canadian Maritime Commission, it was decided to purchase the two vessels from Marine Industries Limited at a price of \$65,000 each, rather than construct new vessels. Accordingly a contract was entered into with Marine Industries on August 18, 1949.

5. Purchase, Repair and Conversion of Two Motor Launches.

The Royal Canadian Navy had a requirement for motor launches to be used in training Naval personnel. A survey was made and it was learned that two suitable launches were available for this purpose from Marine Industries Limited. After consultation with technical officers of the Royal Canadian Navy and the Canadian Maritime Commission it was recommended that these launches be purchased to satisfy the demand, and a contract was entered into with Marine Industries Limited for the purchase, repair and conversion of the two motor launches at a price of \$39,950 each, in accordance with the specifications provided by the Royal Canadian Navy.

6. The remaining four small items were local purchases in respect of which no details are readily available.

SESSION 1951

HOUSE OF COMMONS

Government
Publications

STANDING COMMITTEE

ON

PUBLIC ACCOUNTS

CHAIRMAN—MR. L. PHILIPPE PICARD

MINUTES OF PROCEEDINGS AND EVIDENCE

No. 24

Including, Second, Third, Fourth and Fifth Reports to the House

TUESDAY, JUNE 26, 1951

WEDNESDAY, JUNE 27, 1951

THURSDAY, JUNE 28, 1951

WITNESSES:

Mr. C. M. Drury, C.B.E., D.S.O., E.D., Deputy Minister of National Defence;

Mr. A. Ross, C.M.G., Associate Deputy Minister;

Mr. W. D. Low, O.B.E., Managing Director of Canadian Commercial Corporation;

Mr. W. L. Mahoney, of the Printing Bureau.

OTTAWA

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CONTROLLER OF STATIONERY

1951

MINUTES OF PROCEEDINGS

HOUSE OF COMMONS, Room 430,
TUESDAY, June 26, 1951.

The Standing Committee on Public Accounts met at 11.30 o'clock a.m. The Chairman, Mr. L. Philippe Picard, presided.

Members present: Messrs. Anderson, Ashbourne, Benidickson, Blue, Boisvert, Boivin, Campney, Cleaver, Croll, Fleming, Fulton, Gauthier (*Portneuf*), Gibson, Harkness, Johnston, Kirk (*Antigonish-Guysborough*), Kirk (*Digby-Yarmouth*), Larson, Macdonnell (*Greenwood*), Major, Nowlan, Pearkes, Picard, Richard (*Ottawa East*), Robinson, Sinclair.

In attendance: Mr. C. M. Drury and Mr. A. Ross, respectively Deputy Minister and Associate Deputy Minister of National Defence.

The Committee resumed the adjourned consideration of public accounts for the year ended 31st March, 1950, so far as these relate to the Department of National Defence.

Mr. Drury was questioned at length in respect to certain returns filed with the Committee and printed in the record as Appendix "A" to the Minutes of Proceedings and Evidence of June 12. Mr. Ross assisted the witness.

And the examination of Mr. Drury still continuing; the said examination was adjourned to a later date.

At 1.10 o'clock p.m., the Committee adjourned to meet again in the evening.

EVENING SITTING

The Committee met, in camera, at 7.30 o'clock p.m. The Chairman, Mr. L. Philippe Picard, presided.

Members present: Messrs. Anderson, Benidickson, Blue, Boivin, Cauchon, Cleaver, Croll, Fleming, Kirk (*Digby-Yarmouth*), Macdonnell (*Greenwood*), Macdonald (*Edmonton East*), Picard, Robinson, Sinclair, Stewart (*Winnipeg North*).

A draft report to the House, concerning certain recommendations arising out of the evidence of Mr. Watson Sellar, Auditor General, was under consideration. The said draft report, with some modifications, was finally adopted and ordered to be presented to the House as the Third Report.

At 9.15 o'clock p.m., the Committee adjourned to meet again at 11.30 o'clock a.m., Wednesday, June 27.

WEDNESDAY, June 27, 1951.

The Committee met at 11.30 o'clock a.m. The Chairman, Mr. L. Philippe Picard, presided.

Members present: Messrs. Anderson, Ashbourne, Blue, Boisvert, Cauchon, Croll, Fleming, Fraser, Fulford, Johnston, Kirk (*Digby-Yarmouth*), Macdonnell (*Greenwood*), Macdonald (*Edmonton East*), Major, Nowlan, Picard, Weaver, Wright.

The Chairman informed the members that Messrs. Drury and Ross were detained in the House, where the estimates of the Department of National Defence were under study.

The Committee then sat in camera.

A draft report to the House concerning certain recommendations, arising out of the evidence of Mr. Watson Sellar, Auditor General, was under consideration. The said draft report, with some modifications, was finally adopted and ordered to be presented to the House as the Fourth Report.

At 12.30 o'clock p.m., the Committee adjourned to meet again at 11.30 o'clock a.m., Thursday, June 28.

THURSDAY, June 28, 1951.

The Standing Committee on Public Accounts met at 11.30 o'clock a.m. The Chairman, Mr. L. Philippe Picard, presided.

Members present: Messrs. Anderson, Benidickson, Blue, Boivin, Cauchon, Cleaver, Fleming, Fulton, Gauthier (*Portneuf*), Helme, Kirk (*Antigonish-Guysborough*), Kirk (*Digby-Yarmouth*), Macdonald (*Edmonton East*), Maltais, Picard, Richard (*Ottawa East*), Riley, Robinson, Weaver.

In attendance: Mr. W. D. Low, O.B.E., and Mr. W. J. Atkinson, O.B.E., respectively, Managing Director and Purchasing Agent, Canadian Commercial Corporation.

The Committee resumed the adjourned consideration of public accounts for the fiscal year ended March 31, 1950.

The Chairman informed the Committee that Mr. Drury and Mr. Ross were detained on the floor of the House to assist the Minister of National Defence, in the study of estimates.

Mr. Low was recalled and questioned with respect to certain contracts. The witness filed a chart of the personnel (indicating in each case the duties and functions), of the Canadian Commercial Corporation. The said chart was ordered to be printed as Appendix "A" to the day's Minutes of Proceedings and Evidence. Mr. Low was thanked by the Committee and was retired.

The Chairman conveyed the Committee's thanks to the witnesses present and to Mr. Drury and Mr. Ross of the Department of National Defence, and to the Committee's staff for their valuable help.

At 1.15 o'clock p.m., the Committee adjourned to meet again, in camera, later this day, to consider its Final Report.

EVENING SITTING

The Committee met, in camera, at 8.00 o'clock p.m. The Chairman, Mr. L. Philippe Picard, presided.

Members present: Messrs. Anderson, Ashbourne, Blue, Cauchon, Fleming, Fulford, Gauthier (*Portneuf*), Kirk (*Digby-Yarmouth*), Macdonnell (*Greenwood*), Macdonald (*Edmonton East*), Major, Maltais, Nowlan, Picard, Richard (*Gloucester*), Richard (*Ottawa East*), Riley, Robinson.

In attendance: Mr. W. L. Mahoney, of the Printing Bureau, Department of Public Printing and Stationery.

The Committee heard Mr. Mahoney in connection with the printing of the Chart of the Canadian Commercial Corporation, ordered to be printed as Appendix "A" to the Minutes of Proceedings and Evidence of the morning session. Mr. Mahoney explained the difficulties which might be met in the publication of the said chart because of some of the very small type used therein. . . he thought too wide a reduction of such small type would produce very unsatisfactory results, in that it would be hardly legible. It was agreed that the chart would be printed in reduced and modified form.

The Committee then considered a Draft Report dealing with the Committee's study of public accounts concerning the Department of National Defence. With some modifications, the said Report was unanimously adopted and ordered to be presented to the House as the Fifth and Final Report.

On motion of Mr. Fleming, it was unanimously resolved that the Committee should express to the Chairman its warm appreciation of the manner in which he has discharged his duties. Mr. Fleming said: "The position of Chairman of the Public Accounts Committee is no sinecure. It involves arduous tasks, and this year the Committee has held many meetings. I know we should like to express our appreciation to the Chairman and our confidence in him".

The Chairman thanked the members and expressed his personal appreciation for their assiduous attendance.

At 9.00 o'clock p.m., the Committee adjourned *sine die*.

ANTOINE CHASSÉ,
Clerk of the Committee.

REPORTS TO THE HOUSE

THURSDAY, June 21, 1951.

The Standing Committee on Public Accounts begs leave to present the following as a

SECOND REPORT

Your Committee recommends that details of salaries below \$5,000, paid to civil servants, be omitted in the preparation of Public Accounts as required by Section 38 of the Consolidated Revenue and Audit Act, 1931.

All of which is respectfully submitted.

L. PHILIPPE PICARD,
Chairman.

WEDNESDAY, June 27, 1951.

The Standing Committee on Public Accounts begs leave to present the following as its

THIRD REPORT

On June 22, 1950 your Committee, after reviewing the Auditor General's report for the year ending March, 1949, expressed the opinion that steps should be taken to "authorize writing-off uncollectable debts that have accumulated up to 1940 in Government accounts".

On May 24th of this year, your Committee was asked by the Department of Finance to give consideration to a report, drafted by a special Interdepartmental Committee, on uncollectable debts due the Crown.

Your Committee elected a subcommittee made up of Messrs. Ashbourne, Croll, Fleming, Johnston, Macdonnell, Major, Picard, Robinson, Sinclair and Stewart, to examine the question and report to it. The subcommittee, having had access to information contained in the interdepartmental report and the detailed schedules attached thereto, and having heard Messrs. S. Rettie and E. O. Landry, respectively, Chairman and Secretary of the said Interdepartmental Committee, have communicated their views to your Committee which, after due consideration, begs to report as follows:

The Department of Finance has been concerned for a number of years about irrecoverable debts owing to the Crown and has considered the advisability of writing off these debit balances. The Department of Justice expressed the opinion that such debts could be written off only upon the authority of Parliament.

On August 28, 1947, The Treasury Board, on the recommendation of the Minister of Finance, authorized the constitution of a Committee made up of Messrs. S. Rettie, Chairman, D. W. Mundell, W. C. Haw, A. E. Smythe, members, and E. O. Landry, Secretary; said Committee being requested to examine and report to the "Minister of Finance in respect of all items in 'Deferred Claims Accounts', with the object of submitting to the Treasury Board and finally to the Public Accounts Committee a list of items found to be uncollectable". That Interdepartmental Committee required all departments to submit to it "statements of the outstanding items on their records which were considered not to be collectable and concerning which they were prepared to make recommendations for write-off". It held "35 meetings at which officers from the various departments were questioned or where information secured by letter, telephone or examination of departmental files was brought forward and discussed".

It reported back to the Minister of Finance on May 23, 1950 and its report was subsequently reviewed by officials of the Treasury Board before being submitted to your Committee.

All departments submitted statements to that Interdepartmental Committee and the recommendations of the latter have the full concurrence of all departments concerned. The Taxation Division of the Department of National Revenue is the only one not to have submitted such a list of uncollectable debts as it held that supplying any information of that nature would be a breach of the secrecy requirements imposed by the Income Tax Act. Your Committee has, therefore, been unable to review any accounts owing to the Crown, in the Division of National Revenue, and none are recommended to be written off.

EFFECT OF WRITE-OFF

In the opinion of the Department of Justice, "the mere writing off of such debts would not, of course, release the debts as proceedings could at any time be taken by the Crown to enforce the claim unless a statute of limitations applicable to the Crown should bar the claim". Consequently write-off in this report means authorizing the deletion of amounts found to be uncollectable from departmental records.

It appears then that write-off confers no advantage on the debtor. Its chief benefit will be found in the relief afforded the departments from keeping records of and reporting perennially on claims that are considered valueless. Staffs now employed in this non-productive work would be encouraged to make better efforts on current collections.

BASIS OF RECOMMENDATIONS

The Interdepartmental Committee having in mind that their recommendations for write-off should relate solely to items that were demonstrably uncollectable established certain standards as the basis of their recommendations. Substantially the debts found to be uncollectable fall into the following groups:

1. Amounts which over a long period of time a department had made efforts to collect without results. This would include cases where the debtor had died, had disappeared or had become bankrupt, or where because of the small amount involved and the length of time elapsed further expense on efforts to collect could not be justified.
2. Amounts remaining unpaid after acceptance of compromise settlement payments.
3. Amounts, usually small, referred by a department to the Department of Justice for collection and returned with the advice that the amount involved did not warrant the prospective cost of action to collect.
4. Amounts, mainly in the nature of claims for damages, in respect of which liability has not been admitted by the party claimed against and where due to lapse of time, dispersal of witnesses, etc., the success of proceedings to collect the claim seemed unlikely.
5. Amounts, representing claims for services rendered to or expenditures on behalf of firms and individuals, where the existence of an enforceable debt due the Crown could not be readily established.

Normally, any amount recommended for write-off in their report has been weighed against these standards and found to conform to one or more of them. However, the Interdepartmental Committee have made recommendations for write-off in respect of groups of claims which on grounds of policy had not been pressed against the debtors and where the capacity of the individual debtor to pay had not been assessed. Claims against soldier settlers on personal covenants given in respect of land purchased and subsequently abandoned and claims against municipalities for aid to civil power are examples.

Your Committee considers the basis for recommendations to write-off arrived at by the Interdepartmental Committee as fair.

The total amount recommended for write-off is \$30,506,622.09.

A summary of the recommendations arrived at by the Interdepartmental Committee follows:

DEPARTMENT OF AGRICULTURE

This Department submitted recommendations amounting in all to \$125,595.19. After discussing the various items making up this total with officers of the Department and the Treasury representative the Interdepartmental Committee concluded that \$97,973.07 could be properly considered uncollectable and referred the remaining items back to the Department suggesting further efforts to collect.

CIVIL SERVICE COMMISSION

The Commission made recommendations on five overpayments of salaries amounting to \$102.84. Strong efforts including reference to the Department of Justice had been made to collect these amounts without success. As the Interdepartmental Committee did not think that the individual amounts involved justified the incurring of legal expenses they have recommended write-off of these items.

DEPARTMENT OF FINANCE

The administration branch submitted a list of items totalling \$96,432.02 of which amount the Interdepartmental Committee have recommended a write-off

of \$76,432.02. Included in this amount is \$13,900, representing money advanced in 1808, apparently from Indian funds, to the Earl of Selkirk and secured by mortgage on land situated in Moulton Township, Ontario. Later Indian funds were recouped and the claim accepted by Canada in the settlement with Ontario following Confederation.

Wartime Prices and Trade Board reported on a number of items totalling \$1,218.19 of which the Interdepartmental Committee have recommended a write-off on a total of \$888.19.

The Superannuation Branch submitted a long list of small overpayments made from the Retirement Fund Account during the period 1942-1949 inclusive. These amounts totalled \$2,989.19, of which the Interdepartmental Committee have recommended to write-off \$1,765.78, representing the uncollected balance of overpayments made prior to March 31, 1947.

The Comptroller of the Treasury reported on a number of items totalling \$6,651.33, of which the Interdepartmental Committee agreed to recommend for write-off the sum of \$1,049.34, consisting for the most part of a number of small overpayments of salaries. Included, however, in the sum of \$1,049.34, is an amount of \$334.33, which was actually expended from the appropriations for the former Department of National War Services. When that Department ceased operations, the comptroller assumed responsibility for these items.

DEPARTMENT OF FISHERIES

This Department submitted four small items, totalling \$39.56, which the Interdepartmental Committee agreed should be written off.

DEPARTMENT OF INSURANCE

This Department submitted recommendations for write-off amounting in all to \$365.28. The claims related to a number of unpaid billings for departmental reports and one unpaid assessment on a defunct insurance company. As the Department had exhausted all reasonable means to collect, the Interdepartmental Committee has accepted their recommendations in full.

DEPARTMENT OF JUSTICE

This Department reported as uncollectable a total of \$1,059.02 consisting of an item of \$30.13 for the sale of Supreme Court Reports to lawyers whose names are now unknown and the balance \$1,028.87 being amounts owing to the Penitentiaries Branch for various services and goods supplied. The Interdepartmental Committee considered that these items should be written off.

DEPARTMENT OF LABOUR

Two reports were submitted by the Department, one dealing with losses incurred in the operations of the Department proper and the other relating to the Unemployment Insurance Commission.

The items in the first report total \$5,226.74.

The items in the report from the Unemployment Insurance Commission total \$46,384.82.

The Interdepartmental Committee were satisfied that every reasonable effort had been taken to effect recovery. In view of the large number of items involved and the small amount of each item, the Interdepartmental Committee concluded that further efforts at recovery were impractical, and have accordingly recommended the write-off of these items in total.

FORMER DEPARTMENT OF MINES AND RESOURCES

This Department reported a total of \$220,850.16, of which amount the Interdepartmental Committee have agreed to recommend for write-off the sum of \$210,551.16. Over half of this accrued in the Immigration Branch and represents advances made for repatriation and subsistence to distressed Canadians abroad during the period 1925-45 (\$26,801.26), and the uncollected balance of loans made for transportation from Great Britain to persons destined to domestic work in Canada under the British Empire Settlement Scheme during the period 1923-31 (\$117,797.59). These amounts represent the residue after the Department had succeeded in collecting the greater portion of such advances. Efforts to collect have been discontinued, as many of the debtors are dead while others cannot be located.

DEPARTMENT OF NATIONAL DEFENCE

This Department submitted recommendations for write-off amounting to \$1,266,320.28 of which the Interdepartmental Committee accepted \$1,006,605.04 and referred the remainder back to the Department for further efforts to collect.

Claims against municipal and provincial authorities amounting to \$781,636.58 for aid to civil power were included in the Department's recommendations. All have been outstanding for many years, the most recent dating from 1925. The Department, over the years, has made vigorous efforts to collect but with little success. In the one or two instances where suit was entered and judgment obtained nothing was realized under the judgment. The Interdepartmental Committee concluded that although these claims were against existing and apparently solvent organizations and therefore did not fall within their definition of uncollectables, in the face of refusal by the municipal and provincial authorities to pay, further efforts to collect would be fruitless. Consequently the Department's recommendation has been accepted.

DEPARTMENT OF NATIONAL REVENUE

The Customs Division submitted a list of items totalling \$100,334.75, of which the Interdepartmental Committee have recommended the write-off of \$99,481.06.

The Excise Division reported as uncollectable a total of \$213,523.27 representing an accumulation of arrears of Sales and Excise taxes during the period 1929-1939 which the Department, after making every possible effort, were unable to collect. The debtors in most of these cases went out of business, became bankrupt, or in a few cases, were unable to pay. A number of the items represent balances outstanding after the Department had managed to collect a portion of the debt either by way of compromise or by receipt of dividend through bankruptcy proceedings. The Interdepartmental Committee were satisfied that all efforts to collect these items had been exhausted and that there was no point in continuing to carry them in the accounts.

POST OFFICE DEPARTMENT

Items totalling \$27,686.32 were submitted by this Department, and the Interdepartmental Committee agreed that a recommendation to write off all these items was in order.

DEPARTMENT OF PUBLIC PRINTING AND STATIONERY

This Department submitted a list of items totalling \$8,809.61 of which the Interdepartmental Committee have accepted \$7,609.16 for a recommendation for

write-off. Some of these accounts date back as far as 1891. In recommending write-off, the Interdepartmental Committee noted that approximately 92 of these cases fell into categories where the debtors were either deceased or bankrupt, the amount and date of the debt did not justify further action at this date or where the records of the Department were insufficient to establish a legal claim.

PRIVY COUNCIL OFFICE

This Department had only one item to report, covering an overpayment of salary of \$17.11. Every effort, other than legal action, had been made to collect without success. As legal action would cost more than the amount involved, the Interdepartmental Committee considered it more practical to recommend write-off of the item.

DEPARTMENT OF PUBLIC WORKS

This Department submitted three separate reports, as follows:

1. The Chief Engineer's Branch reported as uncollectable a total of \$122,149.36, which the Interdepartmental Committee have accepted in total. This amount is made up of miscellaneous arrears of accounts, the bulk of which covers unpaid slide, boom and works due for the period 1861-1891.

2. The Government Telegraph and Telephone Branch (which is presently part of the Department of Transport), reported on a total of \$5,883.26, in respect of which the Interdepartmental Committee have also agreed to make a recommendation for write-off. The bulk of this amount consists of a large number of small accounts in arrears for telephone and telegraph services. The debtors involved have become bankrupt, have died or have disappeared.

3. The Chief Architect's Branch reported a total of \$36,757.33, of which the Interdepartmental Committee have accepted and have recommended for write-off on \$29,603.43. This amount is made up completely of arrears in rentals on living accommodations expropriated by the Department and leased to private tenants. In most of these cases the debtors were unable to pay with no alternative premises at their disposal, in other cases the tenants declined to pay on account of the dilapidated condition of the buildings. The Interdepartmental Committee were satisfied that reasonable efforts were made to collect the most of these accounts and that further efforts would produce very little results.

DEPARTMENT OF SECRETARY OF STATE

This Department reported on items totalling \$171,315.66 in respect of which the Committee have recommended that \$29,682.92 only be written off.

Of the amount not recommended for write-off, \$141,391.54 represents arrears of fees related to naturalization proceedings collected by Clerks of the Courts and refundable by them to the Department after they have retained a maximum of \$2,000 per annum. Most of these Clerks have refused to refund this excess on the grounds that it is consumed in hiring extra help required to handle the larger number of applications received. While there was no doubt that a portion of this amount was uncollectable due to the death, retirement or removal of some of these clerks, the Interdepartmental Committee did not have on hand the details segregating the items falling in this category and consequently could make no recommendations for writing off specific items.

DEPARTMENT OF TRADE AND COMMERCE

This Department submitted a number of items totalling \$42,385.32. The Interdepartmental Committee agreed to recommend the write-off of all these items.

\$37,432.79 of the above amount represents cullers' fees accumulated during the years 1855-1893 in the old Department of Inland Revenue. Cullers were employed and paid directly by the Government; lumber companies, requiring their services in turn paid fees to the Government. In some cases, however, the fees were paid to the cullers who failed to remit the amounts to the Receiver General. In other cases, the lumber companies failed to pay the fees altogether. In view of the lapse of time since the accumulation of these arrears, the Interdepartmental Committee considered that it would now be impossible to collect any portion of this amount.

DEPARTMENT OF TRANSPORT

This Department submitted a list of items totalling \$190,296.19, of which the Interdepartmental Committee have accepted and have recommended for write-off a total of \$179,812.97. The bulk of this amount is made up of old arrears in rental for use of water power, Government wharves and other canal structures. A number of small miscellaneous items such as overpayments of salaries, outstanding advances, sale of publications, under remittances of radio licence fees, etc., make up the balance.

DEPARTMENT OF VETERANS AFFAIRS

This Department submitted recommendations in two groups, one covering activities related to pensions payments and veterans allowances and treatment and the other covering losses sustained through the operations of the Soldier Settlement Board.

The first group was made up of a large number of overpayments of service and disability pensions, veterans allowances, and certain re-establishment expenditures and amounted in all to \$518,445.02. Included in this amount was an item of \$88,005.40 representing cost of vocational training given to Imperial servicemen during the years 1919 to 1923 who were ineligible for training, under British regulations. It appeared to the Interdepartmental Committee that this item was not an enforceable claim against anyone and as any expenditure incurred had already been charged to departmental appropriations there was no necessity for write-off. The Interdepartmental Committee accepted the Department's recommendation in regard to the remaining \$430,439.62.

Total recommendations made by the Department relating to land settlement activities amounted to \$27,869,905.43 of which \$27,857,859.99 were losses sustained on resale of property abandoned by settlers and \$12,045.44 representing minor losses on administration and operating expenditures.

Losses on resales of abandoned properties, because of the provisions of Sec. 22 sub-section 4 of the Soldier Settlement Act in the case of soldier settlers and because of a covenant in the agreements of sale in the case of civilian purchasers, became personal obligations of the original buyers. Thus there are claims against soldier settlers amounting to \$23,506,833.45 and against civilian purchasers amounting to \$2,868,271.22. The number of individuals involved is over 19,000. The Interdepartmental Committee was informed that there has never been any action taken to enforce these claims against either soldier or civilian purchasers. Because of this policy, adopted at the outset of the scheme and pursued down to the present time, the Interdepartmental Committee thought no good purpose would be served by asking for an examination of the solvency of individual debtors. Such an examination would be very incomplete and any attempt to enforce a claim now would be most discriminatory. However, the Interdepartmental Committee cannot say that the whole of these claims are uncollectable. Endorsation of the policy followed is a matter to be determined by the Executive. Subject to such endorsation being given, the Interdepartmental Committee is of the opinion that both groups of claims should be written off.

Losses on resales of lands repossessed from settlers under the British Family Settlement Scheme amounted to \$1,482,755.32. There were no personal covenants attached to the agreements under which these lands were originally purchased and consequently no claims against individuals have arisen. The Interdepartmental Committee accepts without qualification the Department's recommendation that this amount be written off.

Your Committee, from the evidence adduced, is satisfied that the Interdepartmental Committee has studied carefully the circumstances of each case submitted by the various Departments. Although your Committee did not duplicate that work, it came to the conclusion that the recommendations of the Interdepartmental Committee were arrived at in good faith and after considerable study.

Your Committee recommends that the appropriate measures be taken to obtain Parliament's approval of write-off of the sums which the Interdepartmental Committee has considered as uncollectable; such measure to be drafted in such a way that the powers thus conferred be limited by the exact terms of the Interdepartmental Committee's report and to such cases as are included in the eighteen schedules forming part of that report.

Notwithstanding the above recommendation, your Committee is of the opinion that some Departments have, in the period under review, i.e., previous to 1940, shown laxity in the pursuing of collection of such sums due the Crown and that part of these debts might have been collected had the proper efforts been made within a reasonable time of the inception of the debts.

Your Committee is of opinion that the collection of all debts not recommended for write-off by the Interdepartmental Committee be pursued vigorously and reported on yearly, and that a further screening of the debts recommended for write-off be made by the Departments during the present year.

Your Committee has been assured by the witnesses, Messrs. Rettie and Landry, that a more systematic procedure of collection is now followed. The Committee is of opinion that such methods are necessary and that the need to follow closely all accounts be emphasized to departmental officials.

All of which is respectfully submitted.

L. PHILIPPE PICARD,
Chairman.

THURSDAY, June 28, 1951.

The Standing Committee on Public Accounts begs leave to present the following as its

FOURTH REPORT

Your Committee reviewed all the items of the Auditor General's report for the year ending March 31, 1950.

Your Committee, during the course of five meetings, heard evidence on the whole of this report from Mr. Watson Sellar, Auditor General. Mr. R. B. Bryce, Assistant Deputy Minister of Finance, attended four of these meetings and was called to give evidence on certain matters.

Your Committee wishes to express its appreciation of the help and co-operation of these officials.

Most of the matters considered for recommendation by the Committee and dealing especially with parliamentary control over Crown Corporations and the regulating of special warrants as a source of authority for expenditures, are covered in Bill 401, the Financial Administration Act, first reading of which was

given on June 25, and your Committee will therefore have further occasion to look into these matters when this bill is referred to the Committee as has already been announced.

The report of evidence before your Committee concerning the remuneration of electoral officers was forwarded to the Chairman of the Special Committee appointed to study the Dominion Elections Act for any action the said Committee may deem fit to take.

The apportionment, as between the C.B.C. and the International Shortwave Service, of the cost of office space occupied by the latter, as well as the cost of the C.B.C. building in Montreal were considered to be matters that might best be referred next year to the Public Accounts Committee or to a Committee that might be appointed to deal especially with the whole financial aspects of C.B.C. administration.

A copy of the Minutes of Proceedings and Evidence of March 8, 15, 16, 20, and April 4 is appended hereto.

All of which is respectfully submitted.

L. PHILIPPE PICARD,
Chairman.

FRIDAY, June 29, 1951.

The Standing Committee on Public Accounts begs leave to present the following as its

FIFTH REPORT

Pursuant to a decision reached at its first meeting, your Committee, after considering the Auditor General's report as previously reported, embarked into the examination of the Public Accounts of the Department of National Defence for the year ending March 31, 1950, totalling \$380,948,197.62. Twenty-two meetings were devoted to this work.

Your Committee heard from the Department of National Defence Messrs. C. M. Drury, C.B.E., D.S.O., E.D., Deputy Minister, and Mr. A. E. Ross, C.M.G., Associate Deputy Minister, and from the Canadian Commercial Corporation, Mr. W. D. Low, O.B.E., Managing Director, assisted by Mr. W. J. Atkinson, O.B.E., General Purchasing Agent and Mr. F. F. Waddell, Secretary and Legal Adviser.

Your Committee wishes to express its appreciation to these officials for their help and co-operation.

The Right Honourable C. D. Howe, Minister for Defence Production, and Minister in charge of Canadian Commercial Corporation during the period under review, 1949-1950, appeared before the Committee on June 19, 1951.

While directed by its Order of Reference to consider the Public Accounts of National Defence for the year ending March 31, 1950, your Committee has received evidence on certain of the department's activities subsequent to this date when this was considered necessary for the better understanding of the situation prevailing during the year under review.

Your Committee first considered a memorandum submitted by the Deputy Minister of National Defence on his department's efforts at controlling expenditures. It dealt more particularly at that stage with the following questions: educational facilities for recruits in both the active and the reserve army; hospital accommodation; medical services; training of the reserve units; equipment and supplies; size of units; army motor transport; construction generally; architects and engineers' fees; manufacture of airplanes; cost, methods and results of recruiting campaigns, and strength of the reserve force.

Your Committee then proceeded to examine Messrs. Drury and Ross on the items of the Public Accounts for the Department of National Defence contained on pages N-2 to N-54 inclusive, while retaining for further consideration items understood to come more specially within the purview of the Canadian Commercial Corporation. It dealt more particularly at that stage with the following matters:

Air Transport Command, R.C.A.F.; purchases of materials and supplies; purchases of equipment from the Government of the U.S.A.; procurement of tank spares from the Government of the United States under the Mutual Defence Assistance Act; advances to the British Admiralty; advances made to Canadair; manufacture of army planes; advisability of making guns in Canada; damage claims; service background, duties, pay and allowances of military, naval and air attaches in Washington; separate family allowances; rental allowances; grants to military associations, institutes and others; Exchequer Court awards; grants to families of deceased employees; pensions and other benefits; payments under Militia Pension Act; allotments, Imperial War Graves Commission; Travel and Transportation, pay and allowances of Army, Navy and Air Force; camp attendance of the reserve force; allotments for active and reserve force; Northwest Territories and Yukon Radio System; Northwest Highway System; allotments Royal Canadian Navy, Reserve and Sea Cadets; acquisition, construction and purchase of properties for Navy; telephone service; allotments Air Force, reserve and cadets; pay and allowances for Air Force; acquisition, construction and purchase of properties for Air Force; engineers' and architects' fees; defence research and development; insurance, pension and guaranty accounts.

On his first appearance before your Committee, Mr. Low described the activities of the Canadian Commercial Corporation, and its policy of establishing prices and awarding contracts by way of competitive "tenders in all cases where it was possible to do so, and to seek out all possible sources of supply irrespective of any consideration except to provide what was needed in the time required and at the lowest possible price".

The witness stated: "In order to carry out this policy, the purchasing division at Ottawa, and each of the thirteen district purchasing offices operated by the Corporation in Canada, maintained complete classified mailing lists showing the names of all suppliers who had requested an opportunity to tender, and any others who were considered to be in a position to manufacture or supply each type of stores or services. These lists were reviewed constantly and kept up to date to ensure the widest possible distribution of invitations to tender in order to obtain the competition necessary to secure low prices.

Tenders for construction projects, the cost of which were in excess of \$5,000 were invited by means of public advertisement in the press. About 95 per cent of the contracts placed by the Corporation were awarded as the result of competitive tenders, and the remainder by direct negotiation".

The witness classified in the following order of preference the four types of contracts negotiated by the Canadian Commercial Corporation: firm price contracts placed as a result of truly competitive tenders; contracts granting cost plus a fixed fee based on a target; contracts providing a ceiling price with a profit limitation; contracts granting cost plus a percentage of profit.

From the evidence, it appears that "during the fiscal year 1949-50 the Corporation awarded 84,600 contracts in all on behalf of the Department of National Defence, the total value being \$221,538,679.59", such contracts being for goods, services and construction.

The Committee examined the witness on different aspects of the memorandum he submitted and more particularly on the following matters: methods of calling for tenders; choice of the successful bidder; advisability of apportioning contracts as between all provinces; purchases in the U.K. and the U.S.;

local purchases; choice of engineers and architects and their fees; types, classes and forms of contracts; purchase of coal for Esquimalt; repair work on the Peace River bridge; number of contracts in different price categories; advances to Canadair in connection with the production of F. 86 airplanes; advisability of restricting invitation of tenders to areas where goods, services or construction are needed; stockpiling of raw materials; inspection services.

Members of the Committee were asked to submit lists of any contracts on which they wanted particular information and such information as was requested was submitted by the witness.

Your Committee performed a considerable amount of work and covered extensive ground; all witnesses asked for have been heard, all documents requested were produced and no trouble was spared by Messrs. Drury, Low and Ross to satisfy Committee members with detailed answers to their questions.

Your Committee, on the other hand, was not able to go deeply enough into all the detailed accounts of each of the numerous items totalling \$380,948,-197.62 to express a definite opinion as to the propriety of all these items of expenditures, or as to the efficiency of all operations performed by these departments, but it is pleased to note that through the evidence adduced and the documents produced, it has found no grounds to cast blame on the Department of National Defence or the Canadian Commercial Corporation, or their officials, on any of the items looked into.

Your Committee was pleased to note also that considerable effort was evidenced on the part of the higher officials of these departments in order to maintain a steady check on expenditures through constant circularizing of their employees to advocate the need for economy, through detailed inspections of works and materials, and through a systematic screening of requisitions at each level of authority.

A copy of the Minutes of Proceedings and Evidence of April 17, 24, 26, May 1, 3, 8, 10, 15, 16, 22, 24, 29, 31, June 5, 7, 12, 19, 21, 26, 27, 28 is appended hereto.

All of which is respectfully submitted.

L. PHILIPPE PICARD,
Chairman.

EVIDENCE

JUNE 26, 1951.

11.40 a.m.

The CHAIRMAN: Gentlemen, we have with us today the deputy minister of National Defence and the associate deputy minister of National Defence. They will answer questions concerning different reports which they have filed with the committee. Some answers have also been given on which members have not had an opportunity to question.

Mr. C. M. Drury, Deputy Minister of National Defence, called:

By Mr. Robinson:

Q. Mr. Chairman, I have a few questions arising out of a report which was filed some time ago, particularly in connection with a table of pay and allowances, etc., payable to army personnel at Washington, the table appearing on page 645 of the proceedings of the committee.

I notice in the return which was tabled and which appears, as I said, on page 645, that there is one column headed "supplementary" and I would like to ask Mr. Drury whether the column "supplementary" refers to the same matters which appear on page N-12 of the public accounts under the heading of "living and representation allowance"?—A. It does, Mr. Chairman.

Q. And similarly there is a heading "rental" in the return. Is that the same subject matter as "rental allowance" on page N-12 of the public accounts?—A. It is the same, Mr. Chairman.

Q. Then, with regard to the living and representation allowance, I notice on page N-11 of the public accounts that there is a supplementary allowance for duty outside of Canada, and on page N-12, there is a special allowance to certain defence personnel. I wonder if the witness would explain the difference between those two—when one is used and when the other is used.—A. The special allowance to which reference was first made covers those officers who have diplomatic or quasi diplomatic functions, and those are the ones referred to on page N-12. The supplementary allowances for duty outside of Canada on page N-11 are supplementary allowances paid to personnel without diplomatic or quasi diplomatic functions. Those allowances are paid to individuals going on course abroad, carrying out specific tasks abroad, but not in relation to diplomatic or quasi diplomatic negotiations—having no representational functions to fulfil.

Q. I see. Then, under the heading "living and representation allowance" I notice, for instance, in the navy a commodore and a commander appear at the same rate, \$7,056. There is a difference in rank but apparently the representation allowance is the same. What is the basis on which the allowance is paid?—A. I am not too sure, Mr. Chairman, where Mr. Robinson is looking at the moment.

Q. On page N-12 of the public accounts it will be noted that a commodore is paid a living and representation allowance of \$7,056, and a commander is paid at the same rate. I was wondering if the allowances were paid on the basis of rank or on some other basis.—A. Their functions are related to foreign service officers in the Department of External Affairs and the scale of allowances is

related to that of the corresponding grade of foreign service officer. When our military personnel are sent abroad we agreed with the Department of External Affairs as to the equivalent grade those men would enjoy if they were in External Affairs.

Q. Then, there appears to be some discrepancy between the amounts mentioned under living and representation allowance on page N-12 of the public accounts and the amounts appearing under what has been given as the same heading in the return which was tabled in this committee a short time ago. For instance, with regard to the military attache at Washington, in the public accounts the amount is shown at \$7,056. In the return that amount is shown at \$6,948. If you go through each of the items of the return and compare them with each of the items in the public accounts in not one case is the amount the same.—A. If you will look in the last sentence in the explanation of the table on page N-12 it reads: "annual rate of living and representation allowance in effect as at 31st March, 1950". So that the first column is a rate, not the actual payments made. For rental allowance paid again it is the rate at which the payment was made, not the actual payments.

Now, the table that we put in, shown at page 645, is in fact the amount of the total payments made.

Q. Then, N-12 shows rates and the return shows actual payments?—A. That is correct.

Q. Is that the same with regard to the rental allowances? I was never quite clear as to the meaning of that. It says: "rental allowance paid during the fiscal year". That would appear to be the actual amounts.—A. I think that the word "paid" refers to the rate—the actual rates paid during the year.

Q. For instance, in one case the rental allowances are exactly the same. That is what made me wonder whether this page N-12 refers to actual payments in the rental category or not.—A. In a case where the man was there for the whole period of the year and no changes were made the rate of payment would be the same as the payment, but if you will look at the table on page 645 you will see shown two men, both naval officers with the rank of commodore. One amount is quite small, that for Commodore Godfrey. The rental allowance is \$382.14. For Commodore Lay the rental allowance is \$1,285.98. The reason for that is that there was a change during the year and, while they were paid at an annual rate, in fact the expenses were shared between those two officers.

Q. With regard to rental allowance I notice from the remarks at the foot of the table on page 646 in the return that there is a ceiling on the amount which the government might be required to pay, but in a good many cases as shown in the table on page 645 that ceiling is exceeded. For instance, in the case of one brigadier, almost \$200 a month appears as the government's share. Is there any limit on the rental which might be allowed to these officers?—A. There is no limit laid down. The arrangement is that up to a certain amount the individual pays the larger proportion and the government pays the smaller proportion, but above a fixed sum the government pays the whole of the balance.

Q. Well, according to the comment on page 646, Treasury Board approval must be obtained where the government's share is greater by \$900 than the individual's share?—A. That is correct.

Q. Well, in a good many cases on the table on page 645 the government's share is more than \$900, and I was wondering if Treasury Board approval had been obtained in each of such cases.—A. In every case Treasury Board approval was obtained.

Q. Has Treasury Board ever turned down an application or ever refused approval in a rental case?—A. Not to the best of my knowledge. There is a very thorough study given to each of those cases and the officers concerned are aware of the fact that their proposals in this regard are going to be very

carefully scrutinized. They are at some pains to insure that they are in fact achieving the most economical means of living, and the result has been that Treasury Board has not turned any down.

Q. Mr. Drury, the table on page 645 is the complete amounts of all pay and allowances, etc. to various officers. There are no other perquisites whatsoever that they might be in receipt of?—A. It is difficult to say there are no other "perquisites". There may be some articles of service issue which are not shown here.

Q. I am not concerned with that.—A. There is not, for instance, any amount put down here for the cost of any medical services they might have had—which is normal.

Q. That is normal routine but would any of those officers be in receipt of pensions, for instance?—A. Pensions?

Q. Yes.—A. No.

Q. What is the situation with regard to the payment of income tax? Were they exempt from income tax in this fiscal year?—A. No, they paid income tax.

Q. Then I note that, for instance, the total pay and allowances, etc., as shown on page 645, to a military attache at Washington who held the rank of brigadier would be \$17,902.10. I may say in picking out these cases I am taking cases where the officer has been in a position for the entire fiscal year under consideration. In several cases there was an overlapping of duty and it would be impossible to make a comparison. In the case which I am mentioning it appears that the particular officer held the particular position for the entire fiscal year. So, we have a brigadier holding the position of military attache, receiving \$17,902.10. We have an assistant naval attache with the rank of commander receiving \$14,253.44. We have in the air force an assistant air force attache with the rank of group captain receiving \$14,295.22.

Now, I was wondering if you could do this for me, Mr. Drury. If those three officers had been on active service say in Korea during the fiscal year under consideration, could you tell me what their pay and allowances would be under those circumstances?—A. Had each been a regimental officer on duty for a full year in Korea?

Q. Yes. Let me make it easier. Take the case of the brigadier. Let us say the brigadier instead of being at Washington had been in Korea in charge of a brigade. Can you tell me what his pay and allowances would have been?—A. Well, his pay and allowances would be those given.

Q. I would suggest that you follow the headings in the table on page 645 and say what he would receive under each heading and then we can arrive at the total.—A. For a brigadier in this year in question, had there been in that year a war in Korea—a brigadier, I may say in passing, now gets in Korea more than the figure shown here.

Q. Yes, but for purposes of this comparison we would have to compare the same fiscal year.—A. You would have to.

Q. Yes.—A. A brigadier would have received as pay a sum of the order of \$6,936. Now, I say "of the order" because he receives an increment in relation to time in rank, and it would depend on how long this brigadier in Korea had been in that rank.

Q. Well, in each case will you compare as to the particular brigadier shown in this case?—A. I would have to get the details of Brigadier Taber's service.

Q. That is not necessary, is it?

The CHAIRMAN: If we wait for that our meetings might be over.

By Mr. Robinson:

Q. A brigadier does not increase. After the three years it is at the basic rate.—A. Yes, I am sorry. It would be the same regardless of time in rank.

Q. That would be \$6,936?—A. \$6,936, the same.

Q. Yes. Then, would he be receiving any subsistence allowance?—A. He would not be receiving subsistence allowance in the field inasmuch as he is provided with rations.

Q. And the marriage allowance?—A. Marriage allowance; he would be receiving the same marriage allowance.

Mr. SINCLAIR: And how much is that?

Mr. ROBINSON: \$480?

The WITNESS: \$480, \$40 a month.

By Mr. Robinson:

Q. And would he receive a separated family's allowance?—A. He would receive a separated family's allowance.

Q. Of how much?—A. I would have to get that information. I will look that up. The rate varies according to rank. He will receive a separated family's allowance of which I will give you the amount in a moment. He would not receive the supplementary representation allowance. He would not receive rental allowance. Travelling allowances would depend on the duties he was called on to perform. Now, he may, in command there, be sent a number of places and he would be reimbursed the expenses he incurred travelling on duty; it is difficult to estimate what they might be.

Q. Have you got the figure yet for the separated family's allowance?—A. It would be of the order of \$80 per month, or \$960 a year.

Q. \$960 a year. Now, are there any other pay or allowances to which the brigadier on active service would be entitled?—A. Not in that fiscal year.

Q. Well, then if my figures are correct, the same officer on active service would have received in the fiscal year under consideration \$8,376, and if you deduct the travelling allowances paid to the brigadier at Washington, the total amount is \$17,210, that is, the same officer stationed at Washington would receive \$17,724.10. Is that correct?—A. That is correct.

Mr. CAMPNEY: That would offset your rations against subsistence?

Mr. ROBINSON: What is that?

Mr. CAMPNEY: You have not offset your rations against subsistence.

The WITNESS: When you say he receives the number of dollars he does receive the brigadier in Washington is merely reimbursed for expenses he has incurred, and the brigadier in Korea is not reimbursed for the provision of quarters because he is provided quarters free. He is not reimbursed in respect of food because he is provided with food free.

Mr. SINCLAIR: Most of his travelling expenses are free, too.

By Mr. Robinson:

Q. Out of the amount of \$8,376 which the brigadier on active service would receive he must maintain his family at home, is that not correct?—A. You have included the separated family's allowance?

Q. I have included the separated family's allowance.—A. Yes, that is correct.

Q. Whereas the brigadier at Washington would be maintaining his family with him in Washington.—A. Or otherwise he would be in receipt of a separated family's allowance.

Q. But as it is not shown we have to assume that he is maintaining his family in Washington.—A. That is correct.

Q. So the brigadier in Washington receives just about double what the brigadier on active service receives.—A. He is in receipt of just about double the number of dollars as is the brigadier in the field but I would suggest that he does not receive in real terms double what the brigadier in Korea gets.

Q. Yes; now, I do not want to labour the point but with regard to the naval attache and the assistant naval attache and the assistant air force attache I imagine somewhat the same situation would be in effect, is that correct?—

A. The comparison you have made as between the two brigadiers would be substantially the same for the other two services.

Q. That is all, thank you.

By Mr. Sinclair:

Q. I would like to put in one or two supplementary questions on that because the impression might get abroad that these are the plums. First of all, the men whom you post as military attaches are all men with good combat records, they have had service in places like Korea?—A. They have had war service, but when you say in places like Korea, fortunately we have not had many places like Korea.

Q. The second question is: These expenses are not expenses incurred because of their own living standards but because they are representing our country and trying to get the military information we want. And the third question, is this: As far as travelling allowances are concerned, in the field you can travel in military equipment but in Washington an attache in visiting air plants and the like would do that in Canadian government vehicles. I think General Pearkes could speak to advantage on that.—A. I think, if I may in a way answer what Mr. Sinclair has said, to my personal knowledge there is no man serving as an attache who would not prefer if he could arrange it in any way to go out to a command in Korea. Given a choice he would take the command in the field in spite of the apparent—and they are apparent, and only apparent—inequalities.

The CHAIRMAN: When you say they have war service records, do they all have combat service records; I mean all these people whom Mr. Robinson asked questions about? Have they war service records?

Mr. ROBINSON: They all have excellent records.

The WITNESS: The record of service is contained in the pages preceding page 645.

By Mr. Pearkes:

Q. The question I want to ask is this: In the year under discussion was there a brigadier in Korea?—A. No, sir.

Q. Then that was purely a hypothetical case.—A. That is correct.

Q. And since there has been a brigadier in Korea have there been any increases to his allowances or to his pay and supplementary pay, or anything of that nature?—A. There have been, since this period, increases in his pay.

Q. So it would be reasonable to assume that had there been a brigadier in Korea in this year under discussion that probably his pay would have been higher than that which was suggested as being the pay of this hypothetical brigadier who was not in Korea at the time. The thing I am getting at is this: I think it is rather unfair to try and bring out the fact that an officer stationed in Washington was receiving a great deal more pay than a man who was on active service.

Mr. ROBINSON: No, Mr. Chairman—

The CHAIRMAN: I do not think the word “unfair” is the right one.

Mr. ROBINSON: The general is accusing me of being unfair. I think I have been fair. The only way the comparison could be made was in the fiscal year under consideration.

Mr. PEARKES: If you do not like the word “unfair” I will withdraw it.

The CHAIRMAN: The word “unfair” is hardly parliamentary.

Mr. PEARKES: I will say it is a very difficult comparison to make between a brigadier serving in Washington and a brigadier who did not exist but who was assumed to be serving in Korea under conditions which exist today when there is a brigadier serving there.

The CHAIRMAN: I do not want to interfere in the discussion but maybe if we knew what the increase in pay to a brigadier serving today in Korea is it might help.

Mr. ROBINSON: What is the pay today?

The WITNESS: I have not got that information here; it is not within the period 1949-50.

The CHAIRMAN: We have ruled before that a question can be carried on into the next year if it is of service to the committee. I am sure the gentlemen who are before us today might very easily tell us what is the pay today of a brigadier in Korea.

Mr. BENIDICKSON: That would not be helpful unless we found out if there has been an increase in the same period for the brigadier in Washington.

The CHAIRMAN: Can I get any answer?

Mr. ROSS: I am sorry, I have not the figure.

The CHAIRMAN: Do you know how much you pay a brigadier today in the field?

Mr. ROBINSON: Let us ask, then, if there has been an increase to the brigadier in Korea has there also been an increase to the brigadier in Washington?

The WITNESS: Yes.

Mr. ROBINSON: There you are.

The CHAIRMAN: If we have a statement in the record that pay has been increased, we ought to know by what amounts we have dealt more generously with the brigadiers. Can any of you gentlemen supply that figure?

The WITNESS: We will get that right away.

(Later)

The WITNESS: Can I give you this information required earlier?

The CHAIRMAN: Yes.

The WITNESS: The basic pay for a brigadier in Washington or in Korea now would be \$8,268 per annum.

Mr. ROBINSON: What does that work out to per month? It is the monthly rate which is given in the public accounts.

Mr. ROSS: \$689.

The WITNESS: \$689 per month. The marriage allowance remains the same at \$40 per month, or \$480 per annum. The subsistence allowance, only payable to the brigadier in Washington, is \$128 per month, or \$1,536 per annum. The brigadier in Korea receives rations in kind. The separated family allowance payable only in relation to the brigadier in Korea would be now at the rate of \$128 per month,—excuse me; the separated family allowance would be at the rate of \$113 per month, or \$1,356 per annum. The living and representation allowance payable only in relation to the brigadier in Washington would be at the rate of \$6,408 per annum. The rental allowance for a brigadier this year in Washington would depend on the accommodation that he was able to secure. And travelling likewise in both instances would depend on what travelling he would be called upon to do.

Mr. SINCLAIR: What about tax credits?

The WITNESS: The tax credit for the brigadier in Korea would work out at the rate of \$30 per month.

Mr. SINCLAIR: On 365; that is right.

By Mr. Macdonnell:

Q. What was this third last figure?—A. That would be payable to the brigadier in Washington.

Q. What was that figure of \$6,408?—A. That was living and representation allowances. It is shown in the table on page 645 under the heading of "supplementary".

Mr. GIBSON: I think it should be recognized that the wife of a diplomatic representative has to work very very hard; she probably has to work harder than her husband.

Mr. SINCLAIR: The wife of a soldier in Korea also has to work pretty hard to raise a family by herself.

Mr. GIBSON: It all depends on what point you are making.

Mr. SINCLAIR: There is no point in what you are trying to make.

The CHAIRMAN: Have you any further questions, gentlemen?

By Mr. Nowlan:

Q. I would like to direct the witness's attention to one matter which arises from page 632 of the minutes. I might say, Mr. Chairman, that I asked for the file on H. W. Lee and several other of the architects referred to, and in every case the contract was not in the file. I want a little more information as to the basis of payment. We see engineering services covering complete plans and working drawings, specifications, and bills of material. Do I understand, Mr. Chairman, that an architect would get a fee for drawing the plans and details in connection with these buildings?—A. For drawing plans and writing specifications, that is correct.

Q. What would be the fee on that?—A. We will have to obtain the contract from the Canadian Commercial Corporation because it is the Canadian Commercial Corporation which made the contractual arrangements with Mr. Lee.

Mr. Ross: Mr. Chairman, the file produced shows the payments made by the department. What you want is the contract?

By Mr. Nowlan:

Q. Yes. One other matter: bills of material. It is on the same item. What does that mean, the term "bills of material"?—A. "Bills of material", as I understand it, is a construction term for the lists of materials required to erect a building.

Q. Would he receive a commission on those materials as well?—A. His commission was not related to the cost of the materials as such. He was paid a fee for drawing up a list of materials required, in the same way as he is paid a fee for producing the drawings; it is part of the specifications.

Q. So it did not include the cost of the materials?—A. It did not include the cost of the materials.

Q. But in his final letter he said he had only prepared 5 per cent of the bills of materials and therefore it was not in his fee. Would not that suggest that his fee was based upon a commission on the bills of materials?—A. His fee would be—I am not sure of this particular contract—but generally, the fee is based on the total cost of the building; and included in the total cost of the building would be the cost of materials.

Q. As of that date?—A. As of that date.

Q. It is more or less a fictional figure, as far as practical application is concerned?—A. We had some success in getting firm price contracts and actually having our estimates agree with the tender.

Q. How many buildings, the plans of which were prepared, have been actually built by the department?—A. That I cannot answer offhand. We would have to find that out for you.

Q. I would like to know how many, and where they are. Do you know how many buildings there are, the plans of which he prepared?—A. I do not know the details; I have not got them here this morning.

Q. You could get the number of buildings?—A. We can.

Q. And also the places and the commission on the bills of materials?—A. We can.

By Mr. Fleming:

Q. On page 631, the fourth item from the bottom, I read:

Fort St. John, B.C., and the supervision of the erection of the said 20 houses . . . \$10,371.63.

Is that fee one for the supervision of the erection of those 20 houses?—A. That is correct.

Q. How is that fee arrived at? Is it a per unit fee, or is it established on some other basis?—A. It is generally established on the basis of a percentage of the value of the work done.

Q. How is it fixed in this case?—A. Again, I cannot answer from personal knowledge, as the contractual arrangements were made by the Canadian Commercial Corporation.

Q. The fee there works out at about \$500 per house, just for supervision?—A. That would represent, at 5 per cent, a house of \$10,000 in value. If the fee were 5 per cent, the house would have to cost \$10,000 in order to get a fee of \$500. And the houses in question at Fort St. John are more expensive than \$10,000. They run around \$13,000.

Q. This is a fee for supervision only. It has nothing to do with engineering services rendered either prior to construction or incidental to the design and supervision. This is a separate fee for supervision only?—A. That is correct.

Q. On page 632 about the sixth item down, I read:

Architectural and engineering services in connection with the design of the building to meet naval requirements, \$40,000.

How is that fee determined?—A. Again I have no personal knowledge about that, because it was negotiated and determined by the Canadian Commercial Corporation. But it would generally be computed on the basis of a percentage of the value of the estimated cost of the building to be erected.

Q. Was that building in fact erected?—A. It is in the course of erection now. It is, I think, a heating plant and building at the naval station at Shearwater.

Q. What is the estimated cost of the building?—A. Approximately \$1,300,000. That is for the heating plant and the associated building.

Q. If you do not know the details I shall not pursue it, but do you know the percentage that was applied and the amount to which the percentage was applied with respect to this fee of \$40,000?—A. I do not know.

Q. You would have to go to the Canadian Commercial Corporation for that?—A. We would have to go to the Canadian Commercial Corporation for that.

Q. You do not make it your business in the Department of National Defence to check on things like that? That was left entirely to the Canadian Commercial Corporation and now to the Department of Defence Production?—A. We do check, but we do not negotiate.

Q. What do you check as to a fee like this?—A. That it is not outstandingly out of line; if it seemed to be a matter of a few per cent in total one way or another on the average, then there is no comment made; but if it varied materially from the average, then it would be questioned, and in this year we would have questioned Canadian Commercial Corporation as to the reason for it.

Q. Did you question this one?—A. That one item? To be quite frank, we did not.

Mr. MACDONNELL: You have had them altered?

The WITNESS: Yes. I cannot think of one in this particular fiscal year; but I do know that we have had them altered.

Mr. FLEMING: That is all the information you have on that one; and if we want more information about it, we would have to go to the Canadian Commercial Corporation?

The WITNESS: The committee could either go to the Canadian Commercial Corporation or we would have to get the information for you and come back to the committee.

The CHAIRMAN: Would it not be advisable to decide on another meeting in order to complete our work and to obtain answers to these questions, that is, if we are not able to complete our work this morning? Such other meeting would have to be held either today or tomorrow at the latest. I am quite in the hands of the committee and I would not mind at all having another meeting. I would like to clear up questions like this which are outstanding. So, if the honourable member wishes, these questions will be answered—I mean the questions which have not been answered this morning—at a meeting which we shall call in order to complete our work. We hoped to complete our work this morning, but if there is anything remaining in abeyance on which the members are not satisfied, we can hold a supplementary meeting in order to cover it.

Mr. FLEMING: I appreciate that, Mr. Chairman, but I do not know if, in the time remaining at our disposal, we are going to be able to clean up everything in this committee.

The CHAIRMAN: Where we have questions outstanding, I would be insistent that we have another meeting. We can do so in the time remaining. In fact, we cannot do otherwise.

Mr. FLEMING: If there is time enough remaining, Mr. Chairman, but we do not know.

The CHAIRMAN: Have you any other questions?

Mr. FLEMING: That is one for which further information is needed and might be desirable.

The CHAIRMAN: There is one outstanding from Mr. Nowlan, and there is another outstanding from you, Mr. Fleming.

By Mr. Fleming:

Q. With respect to page 634 and this particular item of \$45,400 for "engineering services covering development of the following buildings", would you outline the development to which those services related?—A. In this particular case, they are R.C.A.F. buildings. The R.C.A.F. lay down the requirements to be met for average or standard stores buildings, the requirements to be met for standard mechanical equipment buildings, the standard to be met for parachute packing and drying towers, and the standard to be met with respect to operations buildings.

These requirements to be met are handed to an architect. In this case it was the firm of Margison and Babcock. Then the firm of architects draws sets of plans covering standard buildings of this character, or of these characters, meeting all the R.C.A.F. requirements. Then we have those plans on the shelf, standard plans and specifications for one of these buildings. When an equipment stores building is needed in any area of the country, the standard plan is used; and the only modification needed would be with respect to foundations, and in some cases, perhaps, a slight change in the entrance in order to conform to local

topography. But it does materially expedite the construction of buildings to have standard plans already drawn. It is also more economical, in that a firm of architects would not have to be engaged every time a building has to be built. The standard plan would be used.

Q. Have any buildings since been built according to these plans?—A. Yes.

Q. How many?—A. I cannot answer off-hand how many of these particular types.

Q. Would it be something which could be counted on the fingers, or would it be a substantial number?—A. With respect to equipment stores buildings, it would be comparatively few; but with respect to mechanical equipment buildings, the number would be considerable. We are opening up a number of new stations in the R.C.A.F., and the standard mechanical equipment buildings are a part of the usual provision for such stations.

Q. Is it going to be quite a task to get the answer to that question, or is it something you can get quickly?—A. I think we can obtain the answer fairly quickly.

Q. Thank you. And how is the figure of \$45,400 arrived at?—A. That again would be a percentage fee based on the estimated cost of the finished building, in the usual way that architect's fees are computed.

Q. That is on one building, in this case?—A. On one building in this case.

Q. Can you quickly obtain a break-down of that?—A. A break-down of the estimated cost of each of these types of building?

Q. Yes.—A. Yes.

Q. And your subsequent costs compared with the estimated costs, on which this substantial figure of \$45,400 was calculated; the sum would be a percentage as I understand it?—A. The costs on these plans were prepared late in the fiscal year under examination, and all the construction in relation to it has taken place in the subsequent fiscal year, that is the fiscal year just ended. Some of it is still going on now, naturally.

Q. As to those which are complete, I think we might be interested to see how they compare with the estimates, because I understand that the figure of \$45,400 was arrived at by applying some established percentage to an estimated figure of costs of these buildings.—A. That is right.

Q. Is that information readily available?—A. The way in which our estimates made in the fiscal year 1949-50 have turned out, by experience, in the fiscal year 1950-51.

Q. At a subsequent time you could have some statement prepared of the different categories which have been completed since—that is those readily available. I am not suggesting anything that will involve a lot of work.

On the following page, page 635, there is an item of \$15,000, covering inspection and supervision of a radio operational station at Fort Churchill, Manitoba. How would that be arrived at?—A. On the same basis, as a percentage. In this case I am not sure whether it was the estimated cost or the actual cost. The round figure of \$15,000 looks like a fee based on the estimated cost—in other words a fixed fee.

Q. I would suggest, Mr. Chairman, that it might be simpler in the end if the witnesses were to bring with them the account showing just how the fee was arrived at. It should show on the face of it just how it was arrived at.

Mr. BENIDICKSON: Where does the architect reside who was consulted in connection with the Churchill building?

The WITNESS: The address of the Robert A. Rankin Company is given as 142 Sherbrooke Street West, Montreal. I am not sure where the man resides. He was in residence at Churchill during the construction.

By Mr. Gibson:

Q. Have we any standardization of buildings of various types for the army, Mr. Drury?—A. Precisely the same approach was followed in the army as in the case of the air force for the design of standard buildings. There is a standard barrack block, a standard men's mess, and so on.

Q. So there is no architect's fee that would be payable if you decided to put up to 100 men's barrack blocks? There would be no architect's fee at all?—A. Only in relation to modifications necessary for the standard building in order to make it conform to the topography.

The CHAIRMAN: May I make a point now, dealing with the answers which have been given to questions. I should point out that the questions did not ask for these details. I have the question and it says here: "I would like to have a comprehensive statement from Mr. Ross . . . on payments made to architects or to consulting engineers or those who are commonly called owners agents, during the year under examination."

Later on, Mr. Fleming said: "... I am thinking of construction in general which would not be very difficult for Mr. Ross to bring in, statements covering the payment of architects or consulting architects or outside engineers or owners agents fees in connection with the construction work in general carried out by the department in the period under examination, and the nature of the services rendered, and in each case some explanation of the item."

The witnesses here already answered that in writing. However, I think it would help the committee in the future, should we have such investigations, if the witnesses have the details when the answer is produced. I think here that the tabling was done according to the question and the details were not asked for. We were asking for a statement as to the amount and what they were for. I think, however, it is quite legitimate to ask these other questions and it would be a help if the witnesses had the information and could produce details pertaining to returns asked for by members.

The WITNESS: I would agree, except Mr. Fleming is seeking information which, up to the present anyhow, we had rather felt the committee was going to ask the Canadian Commercial Corporation who negotiated these contracts.

The CHAIRMAN: Yes, and these reports came to us only on the last day that the witnesses from Canadian Commercial Corporation were here. Had we had them while they were here perhaps the questions being asked today might have been asked of the other gentlemen.

The WITNESS: I appreciate that.

The CHAIRMAN: It is not a reproach to anyone but it might expedite the work of the committee if we had the details. It would save time. In this case we might find out whether we can have the information supplied in due course.

By Mr. Fleming:

Q. May I ask, Mr. Drury, whether the files are in the hands of Canadian Commercial Corporation or your department?—A. There are files both in our department and in the Canadian Commercial Corporation. The actual contracts, the negotiated contracts, are carried on the files of Canadian Commercial Corporation but we have a file covering each of those operations with some information on it. We must have as we are paying the money out.

Q. Where would the account be which was submitted by the individual who rendered the service? Would it be in your file or that of Canadian Commercial Corporation?—A. The account would be submitted to Canadian Commercial Corporation and passed to Treasury—the Department of National Defence treasury officers; treasury officers in the building of Department of National Defence.

Q. They would be readily available? The accounts would be available to you then?—A. Those accounts would be available to us.

Q. I do not want to take a lot of time now because obviously we cannot get very far this morning but are those readily available? Is it going to be a great task to take the eight or ten items I have selected here and produce the accounts and the vouchers?—A. I think the accounts are readily available.

Q. I might ask for them then, Mr. Chairman.

Mr. Ross: I would just like to point out, Mr. Chairman, that we have already placed in the hands of the secretary of the committee the following accounts: Robert A. Rankin & Company Limited, \$14,012.22; Fetherstonhaugh, Durnford, Bolton & Chadwick, \$40,000,—

The CHAIRMAN: If we have the files here maybe it would be easy to consult them and give the answers this morning. That would save time.

By Mr. Fleming:

Q. That \$40,000 item is one which I asked for—the second one.—A. In the case of Fetherstonhaugh, Durnford, Bolton & Chadwick—

Q. Yes, the \$40,000 on page 632?—A. The fee was $3\frac{1}{2}$ per cent of an estimated cost of \$2 million. That covers the estimated cost of a ratings barracks at H.M.C. Stadacona—and not as I stated to you, I am sorry, Mr. Fleming, a heating plant at Shearwater.

Q. $3\frac{1}{2}$ per cent of \$2 million is not \$40,000. It is \$70,000.—A. We had paid \$30,000 in the previous year and the balance is \$40,000 which was payable in the year shown.

Q. You regard $3\frac{1}{2}$ per cent as a normal percentage on an undertaking of that size—\$2 million?—A. That is correct.

Q. What is the project going to cost as compared with the \$2 million estimate on which the fee was based?—A. The final cost, I am told, is \$1,800,000.

Q. Well, in that case the consultant did better on the estimate than he would have done on the actual cost?—A. That is correct. In some cases the reverse would be true.

Q. Do you always base these percentages in arriving at fees on the estimated cost or on the actual cost?—A. It is like a firm price contract. If you can base it on an estimated cost you get a fixed fee and you know in advance precisely what you are going to pay for architects' fees. If you base it on the actual cost you may, as in this case, pay a greater fee, or a lesser fee, but you will not know until the work is completed perhaps two years later what the account is going to be.

Q. In this case you paid a larger fee?—A. If this were based not on the estimated costs but on the actual costs we would have paid a lesser fee.

Q. You would have paid \$7,500 less—\$7,000 less.—A. \$7,000 less, that is correct.

Q. When you were going ahead with the work did it appear to be good policy to calculate the fee on an estimated round figure of \$2 million instead of applying it to the actual cost when the actual cost was capable of being ascertained within a relatively short period of time seeing the work was being proceeded with?—A. The work would take eighteen months or more to complete.

Q. Yes, but you could allow a percentage on progress of the work according to the actual cost. It seems to me that by hurrying to make your settlement with the architect here before the work was completed you lost \$7,000.—A. In this particular instance I would agree, but on the other hand when the actual work costs more than the estimate by reason of rising costs, we would pay less.

Mr. Ross: I would like to make one statement and that is because of the fact that we had plans and specifications we were able to go out and get competitive bids on this particular work, and that is one of the reasons why we got a lesser price than we would have got had we done it otherwise, which actually saved money.

Mr. BENIDICKSON: What interval of time was there between the agreement to pay a certain fee and the time of calling for tenders?

Mr. Ross: Probably six months to a year.

By Mr. Fleming:

Q. Do you make a practice of making these settlements in advance? In other words, when the architect completes his plans do you make a practice of calculating his fee on the estimated cost of the work?—A. In general this is so.

Q. That is the practice of the department?—A. It is the practice of the Canadian Commercial Corporation.

Q. Was this practice adopted by the Canadian Commercial Corporation or did they take it over from your department?—A. Well, now, I have no personal knowledge. We would have to go into the pre-war period to discover what the practice was then.

Q. Pre-Korea?—A. No, we would have to go back before the 1939-1945 war. Ever since then the Canadian Commercial Corporation has done this work for us and during the war it was done by the Department of Munitions and Supply.

Q. Has this policy prevailed as far as your experience in the department extends?—A. It has.

Q. I do not know, but I think we might give consideration to that. Have you files on any of the other points I was asking about this morning?

By Mr. Nowlan:

Q. Perhaps the witness would say when this building was completed?—A. It has just been completed or is just being completed.

Q. Who is supervising the construction?—A. That I cannot answer offhand.

By Mr. Fleming:

Q. Is it some firm other than this firm which received the \$7,000?—A. That again I cannot answer. If I knew that it was the same firm or a different firm I could answer the first question. On this business, Mr. Fleming, of arriving at a fixed fee, it is basically a question of which is the more economical. Calling for tenders in effect is calling for an estimate of costs of getting the work done and having an agreement in advance with a contractor to do a certain amount of work for a fixed price, and if he does it for less he gains, and if he does it for more the contractor loses. Now, it is the same in this case here with the architect. If the estimate of the final cost of the building is greater than the real cost the architect is getting more money than he otherwise would have obtained. Generally, estimates made a year before the actual work is done, as in this case, are lower than the actual cost, so the architect will receive less money than he would have received had he done it on an actual cost basis.

Q. Apart from that I should think there is a certain amount of insurance in allowing these fees to be determined according to the actual cost rather than basing them upon the estimates because after all, no matter how experienced your estimator may be there is still an element of judgment there which leaves room always for bad judgment. I would think there would be something to be said about letting those fees be determined according to the actual figures of cost.—A. How would we proceed in the case of the design of standard buildings of which it is not planned to build any, say for a year? The architect would have to wait two or two and a half years perhaps for his fee.

Q. Well, your standard building may be a different situation. This was a case where you are going ahead with the construction of the building.—A. We planned to go ahead with the construction of the building.

Q. And you have?—A. In fact, we have.

Q. I suppose that could be said to be the situation with respect to most undertakings. The department has a general intention. To begin with it recognizes a need of certain buildings. In the ordinary course it gets plans made and estimates of costs and that it is on those that a final decision is taken, so I should think this situation here is a pretty normal one, is it not?—A. That we proceed with the building when we have plans made? That is correct.

Q. Yes, but the final decision is taken after the plans are drawn. There is nothing abnormal about that situation.

The CHAIRMAN: On that point may I interject? On the contract with Margison and Babcock, the fees paid there were \$45,400. According to the detail given here they were paid for engineering services covering development of the prospective buildings, for types of buildings, not for one particular building. I see this on page 634 of our minutes. This is for a certain type of building not intended for one point. I think that would be in line with the argument given by the deputy minister that plans are often made for types of buildings which can be built at one point or another of the country.

Mr. FLEMING: This is quite a different case.

Mr. SINCLAIR: I would like to speak on that item, too, because in this business, if you are going to pay a fee based on the actual final cost you are getting into the field of cost plus because it is the easiest thing in the world for an architect to load a building up. He can easily increase the cost ten or twenty thousand dollars. If his fee were on that basis you would be getting over into the area of cost plus contracts. I think it is far better engineering practice for an architect to be paid a fixed fee to design an economical building rather than for his fee to be based on the final cost of the building. For example, an architect could specify a bigger beam, and that would have the effect of running up the cost.

Mr. FLEMING: This was not a fixed fee. This was a fee, according to what has been established here, a certain percentage. Somebody makes an estimate and that proves to be quite high, it proves to be \$200,000 higher than actual cost of construction even a year or two years later when the cost of general construction is higher. I should think that in a situation of that kind it would be a sounder practice not to rely on an estimate as the figure to which the architect's percentage is to be applied, but rather follow a more prudent course in general. I do not say you could follow it in every case but in general you could apply it to an actual figure.

Mr. ROBINSON: You might invite some pretty high estimates.

Mr. FLEMING: I would not want to see many of them further out than this one.

Mr. SINCLAIR: The estimate is not made by the architects.

Mr. FLEMING: Here the estimate proved to be much higher than the cost of construction proved to be.

By Mr. Fleming:

Q. Turning now to another matter in regard to this item, it is quite clear, is it not, that this fee covered preparation of the plans and specifications made in advance? And is it quite clear that it has no bearing on the cost of the supervision of construction?—A. This particular fee relates only to the cost of preparation of the architect's drawings, plans and specifications for engineering services.

Q. And no supervision charges enter into this fee?—A. No.

Q. Who was retained to do supervising of the construction?—A. I still cannot answer that. I will have to find out, if you wish.

Q. Thank you. And would you find out what has been paid for supervision fees?—A. I will.

Q. What is the ordinary practice in these cases? Do you not retain an architect to draw all the plans and specifications and supervise the construction?—A. Ordinarily the architect who drew the plans and specifications would be retained to supervise the construction, where an outside firm is retained to supervise construction.

Q. Why was that practice not followed in this case?—A. I did not say that it was not. All I said was that I did not know.

Q. You can get that information for us?

The CHAIRMAN: I do not want all these files to go back. They are filed with us as evidence. I do not mean that they would not be in safe hands; but in case other questions come up, I want to have them available.

By Mr. Macdonnell:

Q. I have one supplementary question. Can you generalize as to what has happened with regard to the sizes of the estimates made by the architect, and the actual out-turned costs? Has there been a tendency for them to go one way or another, to be higher or lower?—A. In general, the out-turned cost has been higher than the estimate. The reason for that is that the estimators are estimating in relation to one period and the buildings are constructed in a later period; and almost without exception costs have been rising over the past few years.

The CHAIRMAN: We see that happening in the Department of Public Works.

The WITNESS: It is for that reason that I said that this method of basing the architect's fee on the estimated costs, in fact, in this particular economic situation, has been more economical for us than basing it on the actual cost.

The CHAIRMAN: We see that every day in the Department of Public Works where they ask for a tender. The department will ask for certain estimates and in a proportion of cases, when the project is completed, it is found that it cost more. On the contrary, when the bids are in, all the bids are higher than the department's valuation.

Are there any further questions?

By Mr. Fleming:

Q. We have dealt with the item on page 631, of \$10,371.63, and with the item on page 632, of \$40,000; and with the item on page 633 in the sum of \$76,850; and with the item on page 634, in the amount of \$45,400; and the item on page 635, amounting to \$15,000. And on page 637 there are several. The first two are grouped together; they amount to \$2,732.27 and \$1,512.50.

The other two are under the same firm in each case, and they amount to \$13,310.30 and \$15,774.98.

I would indicate that has to do with two items at the top of page 637, the fees paid to the architect, in the first case, in connection with the supervision of construction of 100 houses at the R.C.A.F. station, Greenwood, Nova Scotia, which works out to an average of \$27.32 per house; and the next item for architectural services incidental to the supervision of the erection of 100 houses at Dartmouth, for the R.C.A.F., which works out to \$15.12 per house. I am interested in comparing them.—A. I think it should be pointed out that some of these apparent discrepancies are caused by the fact that these are not the figures for the whole account.

Q. That may be, but, Mr. Chairman, I am just indicating what appears to be striking differences so that Mr. Drury may have an opportunity of looking into them and bringing an explanation to the meeting that we will be having. I was making a comparison with the figure we had just a short time ago on the

supervision of the construction of 100 houses which worked out at \$500 per house. I mention that so you will have an opportunity of looking into it and bringing an explanation.—A. In respect of Lea, who was one of the men you mentioned, would it be sufficient information to say this consulting fee for engineering services is at 4 per cent of the estimated cost of the following types of buildings: an officers' mess for 300 officers; officers' quarters for 47 officers; a rank and file mess for 500 men; quarters for 80 other ranks and sergeants; an officers' mess and quarters for 40; an officers' mess and quarters for 20; an officers' mess and quarters for 10; WO's and sergeants' quarters for 65.

Those are the standard plans which Mr. Lea was asked to draw for the army. In this case his fee is 4 per cent of the estimated cost. As these buildings were not contemplated for immediate construction the estimated cost was the only figure that could be taken.

Q. You indicated the percentage in this case was 4 per cent. In connection with an item a few minutes ago you indicated that $3\frac{1}{2}$ per cent was a standard percentage, I think.—A. It was $3\frac{1}{2}$ per cent of a very much larger contract or individual sum, as compared with 4 per cent of a smaller total sum, including a number of different items.

Q. Well, wait a minute. The estimated cost of the other one— $3\frac{1}{2}$ per cent—was \$2 million. Now what is this one? It cannot be less.—A. I am afraid it is. If I can just do a little arithmetic I will give you the answer. \$625,000 is the total.

Q. How do you arrive at the fee then? 4 per cent of \$625,000 would be \$25,000 and not \$76,850?—A. That would be of the order of \$25,000—4 per cent of \$625,000, is that right?

Q. Yes, 4 per cent of \$625,000 would be \$25,000, but this item is \$76,850.—A. Then there are other items. I am sorry that I cannot satisfy you on this and I will have to give you more details. There are other items included.

The CHAIRMAN: Well, that will conclude our work now and I suggest that we have a meeting at 7.30 tonight to look over the report of the subcommittee. That will be in camera, of course, and we will look over the report of the subcommittee which dealt with the advisability of writing off uncollectable debts.

Our next general meeting of the committee will be held tomorrow morning at 11.30.

The committee adjourned.

JUNE, 28, 1951,
11.30 a.m.

The CHAIRMAN: Gentlemen, I see a quorum. The idea is this: We had intended to have this meeting as our last meeting with the witnesses. This morning we were to have with us Mr. Drury and Mr. Ross. But as they are expected to be on the floor of the House to assist the Minister of National Defence with his estimates, and since some of the matters we are going to deal with concern more particularly the Canadian Commercial Corporation, Mr. Low was kind enough to come to us today.

Mr. W. D. Low, O.B.E., Managing Director, Canadian Commercial Corporation, called:

Mr. FLEMING: Mr. Low has been good enough to step into the breach, as it were.

The CHAIRMAN: Yes, and it has been agreed that we would this morning ask questions concerning what was dealt with at the last meeting at which Mr.

Drury and Mr. Ross were present. And subsequent to that, provided we have the time available, Mr. Fleming will ask a few general questions. It must be understood that this is our last meeting; and it has been agreed that no new questions or new problems would be brought up, but that we would try to get the answers for those questions which have already been before us.

By Mr. Fleming:

Q. I asked about the files. Yesterday we were dealing, Mr. Chairman, with some of the items appearing in the appendix to issue No. 21 of our Minutes of Proceedings, beginning I think at page 631.

I asked a question about an item on page 631 of \$10,371.63 concerning the supervision of the erection of some 20 houses at Fort St. John, B.C. We were told, as I recall it—and I simply mention this for Mr. Low's information—that this worked out at a standard fee. We also had some questions concerning an item on page 634 of \$45,400, for engineering services in connection with the plans of certain buildings.

The CHAIRMAN: Do you mean that we should deal first with the problem you spoke of on page 651?

Mr. FLEMING: I wonder if Mr. Low is familiar with this question?

The WITNESS: Unfortunately I have not had an opportunity to review it although the evidence was sent over to me. May I start, Mr. Chairman, by answering in a general way?

The CHAIRMAN: Very well.

The WITNESS: I would like to answer just in a general way, and perhaps I might thereby satisfy the members who raised the questions, although I am prepared to go into the details.

In contracts of this kind the percentage fees are at rates established by the Architectural and Engineering Institutes of Canada in the various provinces. These percentage rates are computed on the actual cost of the work to His Majesty. Provision is made in such contracts for monthly progress payments in relation to the extent of the work done with a final adjustment when the job is completed and, in the case of construction being carried out on a cost plus basis, when the actual cost to His Majesty has been determined by government audit.

Mr. FLEMING: Could we start, in view of the fact that our time is very limited, by drawing attention first of all to two items, Mr. Low? I have mentioned one on page 631, a certain engineering fee paid for supervision of the erection of 20 houses at Fort St. John, British Columbia, which averaged apparently slightly over \$500 per house.

The CHAIRMAN: May we not deal with your first question before we go into another?

Mr. FLEMING: I was going to mention another one and I thought we could deal with them both together. Then, at the top of page 637, there are two items which I mentioned yesterday to Mr. Drury in the hope that it would give him a lead as to what to look at. There is an item of \$2,732.27 for architectural services incidental to the supervision of the construction of 100 houses at the R.C.A.F. station, Greenwood, Nova Scotia; and there is another item of \$1,512.50 for architectural services incidental to the supervision of the construction of 100 houses at Dartmouth, Nova Scotia, required for the provision of permanent married quarters for the R.C.A.F. It may be that those two last payments are only interim payments, but I would like to have an explanation of the cost, or of the amount of the fee in each of these cases; how it was arrived at, and how it compared in the various cases.

The WITNESS: I have before me the contract entered into with Davis, Ripley and Associates for the job at Fort St. John, B.C.

By Mr. Fleming:

Q. That is for the item on page 631?—A. Yes, sir; and it covers engineering services incidental to the design, supervision, and construction of roads and sidewalks, and the installation of water, sewers, power distribution, fire alarm, and street lighting systems.

Q. Are you not dealing with the next item on page 631 which corresponds to that, \$7,315.59?—A. I am sorry. This is Fort St. John.

Q. But that is a different item, is it not?—A. It is all included in the one contract. You spoke of the supervision of the erection of houses. The fee was \$50 per house.

Q. You say \$50 per house?—A. Yes, \$50 per house. You see, the contract includes more than the supervision of the erection of the houses. It includes all engineering in connection with the services for those houses.

Q. Let me draw your attention to this item. Have you got before you a copy of the Minutes of Evidence which includes page 631? You see, the first item is for engineering services in connection with the provision of permanent married quarters (35 units) at No. 10 Repair Depot, Calgary, Alberta; and then the next item is one for \$10,371.63 for Fort St. John, British Columbia, and the supervision of the erection of the said 20 houses. That is the item I am enquiring about. Not the one before it.—A. That is the contract. It includes more than the supervision of the erection of the houses. That is the contract I was reading.

The CHAIRMAN: If I may be permitted to interrupt, the next item here contains exactly the wording which you were reading a moment ago. What Mr. Fleming has in mind is the \$10,371.63 item. The wording of it is "supervision of the erection of the said 20 houses". His curiosity was aroused by the difference between the amount of the item on page 637 and the item given here, \$10,371.63 at Fort St. John, for the supervision of the erection. Would you mind speaking a little louder, please, so that we may get it in the record? Would you just give me the explanation you gave a moment ago about this, to link together the Davis, Ripley and Associates items of \$10,371.63 and \$7,315.59 as being the same contract?

The WITNESS: Yes, sir. It is not the same contract.

The CHAIRMAN: Well, give us the information as to these two amounts and try to satisfy Mr. Fleming who asked you why these amounts represent only supervision for the erection of 20 houses.

The WITNESS: The total payment made against this one contract during 1948-49 was—

By Mr. Fleming:

Q. No, 1949-50?—A. It is all part of the contract.

Q. I do not want to get too far afield, Mr. Low; but the figures we are dealing with here are for 1949-50. There is an amount given of \$10,371.63. That is the one I am trying to enquire about, to see what it covers exactly.—A. May I give you the particulars of this contract? It may clear up the situation.

The CHAIRMAN: Very well.

The WITNESS: As I said before, this contract covers engineering services incidental to the design, supervision and construction of roads, sidewalks, and the installation of water, sewers, power distributions, fire alarms, and street lighting system at Fort St. John, B.C., required for the Permanent Married Quarters Project (20 houses) at the R.C.A.F. Station, Fort St. John, B.C., and

the supervision of the erection of the said 20 houses at an estimated expenditure of \$5,000. The estimated expenditure of \$5,000 is based on the proposal that the Consulting Engineer shall be paid the following fees and expenses:—

- (a) For preliminary surveys and reports, the design and preparation of plans, drawings and specifications covering the work, the supervision of the carrying out of the work, preparation of progress estimates, final estimates and final report on the work, a fee calculated at the rate of 5 per cent of the actual cost of the work to His Majesty as determined by the Minister.
- (b) For the supervision of the erection of the houses a fee of \$50 per house.
- (c) The actual cost, including proper and reasonable field living and transportation expenses, of providing the services of instrument men and rod men for preliminary surveying and laying out of the site plus 8 per cent of the salaries paid to such instrument men and rod men.
- (d) For the provision of the services of a Dominion Land Surveyor, at the rate of \$25 per day plus reasonable and proper living and travelling expenses of such Land Surveyor for the period such services are required for the proper performance of the Engineering Services.
- (e) For the necessary trips made by the Consulting Engineer to the site of the work, and to Maintenance Command Headquarters at Ottawa, at our request, a fee at the rate of \$30 per day, plus proper and reasonable travelling expenses.

The salaries proposed to be paid to the instrument men and rod men are to be reported to and approved by the Corporation prior to these men being placed on the project.

That is the contract, Mr. Chairman.

By Mr. Fleming:

Q. Exactly what does this payment of \$10,371.63 cover then, Mr. Low? If that statement on page 631 is not accurate or complete, I think it would simplify matters at once if you just said so. That is the information we have been working from.—A. The payment of \$10,371.63 which was made in 1949-50 under the contract covers all those services I have just described.

Q. Take page 631 and tell me if it is correctly set up, because it strikes me that the probable explanation is that these four items might be separated, and that they are not all attributable to the one contract.—A. That is my understanding.

Q. Am I correct then in inferring that this statement of the services covered by the item of \$10,371.63 is not correct?—A. It is not correct.

Q. You say that it is not correct, the whole item, as to what it covers?—A. You see, one item of \$10,371.63 refers to the 20 houses, or at least it refers to the supervision of the erection of the said 20 houses at Fort St. John; whereas the next item is in connection with engineering services incidental to the design and supervision, and so on, of permanent married quarters at Fort Nelson, British Columbia.

The CHAIRMAN: That is what puzzled Mr. Fleming. At Fort St. John it says "the supervision of the erection of the said 20 houses". It is in exactly the same wording as the item for Fort Nelson. That is what puzzled the committee.

By Mr. Fleming:

Q. We are quite clear on that point now. Is there one voucher given in connection with this payment of \$10,371.63?—A. No, sir. I think there would be progress payments, and many invoices during that period, which would make up the total amount.

Q. What would normally be the form of the invoices? Would they submit their out-of-pocket expenses and for salaries and wages, plus their 8 per cent, and get something on account of the fee for supervision at the rate of \$50 per house?—A. Yes. They would get progress payments which would be related to the amount of work done.

Q. Based on this calculation?—A. Yes.

Q. Will you turn to the other figures at the top of page 637 in connection with architectural services incidental to the supervision of the construction of 100 houses at the R.C.A.F. station at Greenwood, Nova Scotia, and architectural services incidental to the supervision of the construction of 100 houses at Dartmouth, Nova Scotia, required for the provision of permanent married quarters for the R.C.A.F. These appear to be fees paid for the supervision of the construction of 100 houses in each case.—A. Yes. I have those contracts before me, Mr. Chairman. The contract for Greenwood was awarded on May 17, 1948. It covered architectural services incidental to the supervision of the construction of 100 houses at the R.C.A.F. station at Greenwood, an estimated expenditure of \$7,000. The estimated expenditure of \$7,000 is based on the proposal that the architect shall be paid for services rendered a fee at the rate of \$50 per house plus his personal travelling expenses properly and reasonably incurred in the performance of the services including to and from the site. In addition to the foregoing the architect shall be reimbursed the actual salary paid for the full-time resident supervisor during the period of construction. The salary to be paid to the resident supervisor is to be reported to the corporation prior to said resident supervisor being placed on the project.

The CHAIRMAN: That is what was paid during 1949-50—\$2,732.27.

By Mr. Fleming:

Q. Was that the complete payment to the architect or is that only a payment during this fiscal year, \$2,732.27?—A. That was the payment made during that fiscal year against the contract.

Q. But is that the complete payment for services rendered by him in connection with those 100 houses?—A. No, sir.

Q. What about the next payment, \$1,512.50?—A. That is only for the portion of the work performed during that year.

Q. Well, did your contract then, in these two cases, not provide for a fee per housing unit?—A. Yes, sir; \$50 per house.

Q. As well as fees allowed for other services than the actual supervision of construction?—A. That is correct.

Q. Then we had some questions yesterday about what is a standard fee paid on the preparation of plans and specifications. We had a case of the item of \$40,000 on page 632—I am not mentioning names, I prefer just to use the amounts—where we were told the fee was $3\frac{1}{2}$ per cent of an estimated \$2 million. Is that a standard fee, Mr. Low?—A. Yes, the percentage rates are standard but the amount of the fee is subject to upward or downward revision when the construction job is completed.

Q. Well, in this case the construction, we were told, is being completed, and the cost of construction is to be \$1,800,000, whereas the fee that was paid was at the rate of $3\frac{1}{2}$ per cent calculated on an estimated cost of \$2 million, and it was paid on that basis?—A. That is correct, but that fee will be adjusted downwards when the job is completed and will be computed on the actual cost of the work.

Q. You are quite definite about that, are you? We spent some time on this yesterday and we were not told that.—A. If I may, Mr. Chairman, I would like to read the contract.

Q. Could you just give us the relevant extracts?—A. "Upon completion of the work there shall be a determination of the architect's fees and expenses

in accordance with sections 5 and 6 of this agreement and such fees and expenses shall be paid to the architects less any amounts theretofore paid to the architects under subsection (a) of this section 7 provided however, that if amounts paid to the architects under the said subsection (a) of this section 7 shall have exceeded the fees and expenses payable under the sections 5 and 6 of this agreement then the architects shall immediately reimburse His Majesty the amount of such excess payments."

Q. Well, then, can you tell me if in this particular case, in the light of the facts, that the actual cost of construction, as we have been told yesterday, amounted to \$1,800,000 instead of the \$2 million that was estimated, if steps have been taken or are they being taken to recover \$7,000 overpaid?—A. I cannot answer that question, sir. It is the responsibility of National Defence to recover any excess payment.

Q. National Defence apparently did not know yesterday about this provision in the contract. May we take it then your interpretation is, on the facts as stated, which were given yesterday in evidence, that there is a sum of \$7,000 repayable by the architects out of this total fee?—A. That is correct.

Q. Now, turning to another item, Mr. Low, we have an item on page 633, of \$76,850, again for architectural and engineering services. It is the third item from the bottom. Mr. Chairman, I take it you have no objection to my dealing with these amounts without mentioning the names. In that particular case, Mr. Low, what was the percentage at which the fee was calculated?—A. Mr. Chairman, perhaps I should give the information with respect to the service to be provided before I give the fee.

The contract provides for:

1. "a preliminary investigation;
2. "the preparation of detailed plans and specifications covering each structure built on a specified location;
3. "preparation of alternative plans and specifications covering various foundation conditions;
4. "preparation of specifications which will provide for the use of suitable regional materials from coast to coast;
5. "preparation of bills of material;
6. "the preparation of detailed estimates of the cost of each building of the 26 buildings;

"the consulting engineer shall supply as part of the service all staff and equipment and technical advice necessary to perform the service to the satisfaction of the minister, and shall perform the services as soon as possible. His Majesty agrees to pay the consulting engineer for the service a fee computed at the rate of 6 per cent of the amount of a detailed estimate of the total cost of the construction of one set of the 26 buildings—such estimate of the total cost shall be determined by the engineer on the basis of construction of all the buildings on a certain site specified by the engineer."

"engineer" means the Department of National Defence engineer.

"Such estimate of the total costs shall then be increased or decreased by an amount deemed by the engineer to be the average increase or decrease due to the fact that the buildings will actually be constructed at different locations selected or to be selected by the Department of National Defence; and the said fee of 6 per cent shall be computed on such final estimate.

"It is understood and agreed that the rate of 6 per cent referred to in subsection (a) of this section 5 on which the said fee is based is made up of 4 per cent covering those parts of the service mentioned in subsections 1 and 2 of section 3; one-half of one per cent covering those parts of the service mentioned in subsections 3 and 4 of section 3 and 1½ per cent covering those parts of the services mentioned in subsections 5 and 6 of subsection 3.

"The fee provided for in this section 5 shall be the only fee or compensation to which the consulting engineer is entitled under this agreement in respect of his service, it being understood and agreed that the consulting engineer shall pay his own expenses incidental to the performance of the service."

Q. Does that give us a complete statement about the percentage now, Mr. Low?—A. Yes, sir.

Q. In connection with this payment, yesterday I was asking about the percentage at which the fee was calculated and the answer that I was given as to this item was: "These are standard plans which Mr. Low was asked to draw for the army. In this case the fee was 4 per cent of the estimated cost."

I take it from what you have told us about the contract that is not correct information?

The CHAIRMAN: Four per cent of one item and $\frac{1}{2}$ per cent of another item, and $1\frac{1}{2}$ per cent of another.

By Mr. Fleming:

Q. This was a complete statement given yesterday—"In this case his fee was 4 per cent of the estimated cost—" —A. On one item.

Q. In the light of what you have said we have to reject that, as you have given a correct complete statement of the way in which the fee was calculated.

The CHAIRMAN: It could be pointed out that Mr. Drury himself said that was a contract made by C.C.C. and he was not as conversant with the details as these people from C.C.C. are. I admit that it was a mistake when he said 4 per cent.

By Mr. Fleming:

Q. Yes. I think in the light of what we were told this morning on both these items, Mr. Chairman, that we were getting some wrong information yesterday. I am not suggesting that the witnesses did it on purpose but that is the situation about the answer given at the last meeting.

In connection with the same matter there is a letter in the file dated October 3, 1949, from Mr. Lea in which he sets out—and this is a letter to Colonel Love, chief engineer, Department of National Defence: "The following progress has been made on the building designs covered by the above mentioned contract."

He sets out 26 items aggregating \$1,392,000. Then he says: "The earned fee for consulting engineering services, including the adaption of plans to suit varying conditions encountered, and design work completed, is $4\frac{1}{2}$ per cent; i.e., $4\frac{1}{2}$ per cent of \$1,294,560 equals \$58,255. Previous payments of \$43,000 have already been made.

"It is requested that a progress payment of \$4,000 now be made."

Then there is this paragraph:

"Besides the progress made on the buildings as outlined above approximately 5 per cent of the bills of material and estimates has now been completed but no claim for a progress payment for these services is being made at the present time."

Q. Have you seen that letter before, Mr. Low?—A. No, sir, I have not.

Q. I wanted to get an explanation of how it tallies with the provisions of the contract with regard to the fixing of the fee—the percentage.—A. What the architect has done in that case is to lump the two items together—that is the 4 per cent and the $\frac{1}{2}$ per cent under this contract.

Mr. ROBINSON: It is one o'clock, Mr. Chairman.

The CHAIRMAN: Gentlemen, we have apparently concluded our investigation work for this year in this committee.

Mr. FLEMING: Well, I wonder if I could ask just a couple of questions.

The CHAIRMAN: I made an agreement with Mr. Fleming this morning. We were supposed to have two witnesses but the minister asked me to withdraw them from the committee in order that they might be at his disposal in the House. It was suggested that I get Mr. Low in their place. I called Mr. Fleming and made an agreement about it. We did not think that matters would take so long in the House and I agreed that we would give him opportunity to ask a number of questions on matters dealt with by Mr. Drury at the last meeting.

Therefore I would ask for the indulgence of the committee to sit for perhaps a few more minutes so that we may make good my undertaking to Mr. Fleming. After the change in witnesses made at the suggestion of the Minister of National Defence I had an agreement with Mr. Fleming and I would not like to go back on my word and say that we will close down at one o'clock. It was agreed that these would be the only questions that Mr. Fleming would ask and I think it would be quite fair to allow time for a few more general questions.

Mr. FLEMING: I am not going to impose on the committee. I realize that this will be the last meeting and in speaking with the chairman this morning I was trying to stop these other questions. I have just a couple of questions—two or three questions of a general nature. That is all I am going to ask, and it may be that Mr. Low has not got the answers.

The CHAIRMAN: Could we have a few more minutes to carry out my agreement with Mr. Fleming?

By Mr. Fleming:

Q. We are obviously not going to finish. There were a couple of questions I indicated to the chairman I would like to ask of Mr. Low, which are of a general nature. Mr. Low, you had experience with about four different types of contracts, did you not?—A. That is right.

Q. Will you state then and indicate in a word your experience in general with each of them, stating whatever preference you formed as a corporation for one or other of them as opposed to the others?—A. Well, Mr. Chairman, I would start with a firm price type of contract placed as a result of truly competitive tenders as being the most desirable. The other types of contracts are cost plus types either in a fixed fee based on a target with a cost reduction incentive bonus, and cost plus a fixed fee without bonus provision, cost plus a fixed percentage of profit. I consider the last type of contract the least desirable. Then there is also what is known as a ceiling price contract with a profit limitation.

Q. That is the complete list of the types of contracts?—A. That is right.

Q. And you have set them out, I take it, in order of preference in the light of your experience?—A. No, I do not think I have done that.

Q. Would you indicate your preference?—A. Number one is my preference.

Q. Would you arrange the others, if you can, in order of preference, in the light of your experience?—A. Yes, I can do that.

The CHAIRMAN: Would you indicate it right now?

The WITNESS: Number one would be the firm price contract; number two would be a cost plus a fixed fee based on a target with the cost reduction incentive bonus; number three would be the ceiling price type with a profit limitation; number four would be cost plus a fixed fee; and number five would be cost plus a percentage of profit.

Q. I do not suppose you have information of this nature with you, but is it very difficult or would it be very difficult for you to compile information if it is not already available, indicating how many contracts of each of these particular classes you entered into this year, and the amounts? Have you that information?—A. That came up at a previous meeting and I mentioned at that

time that 95 per cent of our contracts during that fiscal year had been placed on a firm price basis as the result of truly competitive tenders. They were fixed price contracts. It would mean a lot of work to review all our contracts and pick out the various types.

The CHAIRMAN: Those in the 5 per cent category?

The WITNESS: Yes.

Mr. FLEMING: I did not catch that, Mr. Chairman.

The CHAIRMAN: The witness said it would take a long time to compile a list of the contracts that were in the 5 per cent—that is those which were not the result of competitive tenders.

By Mr. Fleming:

Q. The 95 per cent applied to the number, did it, or did it apply to the amount as well?—A. To the number only.

Q. What was the percentage between the larger amounts and the smaller amounts—which group did they tend to gravitate to?—A. One of the largest contracts we entered into in that year was a cost plus type of contract with a target and bonus arrangement. There were not many contracts of that nature during that period. As I said before, most of our contracts were on a firm price basis. There were few other than firm price contracts.

Mr. FLEMING: I will not prolong it, Mr. Chairman, because we could go on for a long time.

The CHAIRMAN: That has already been dealt with and it can be found in No. 19 or No. 20 of the Minutes of our Proceedings. I read all of them through last night but I am not sure which one of the two it is. In either No. 19 or No. 20 there was quite a long discussion.

Well, gentlemen, thank you for your attendance and I will file for inclusion in today's proceedings this organization chart of the Canadian Commercial Corporation. That was obtained after a telephone conversation with Mr. Fleming in order to give us an idea of how the corporation is made up. (See Appendix "A")

I wish to thank you, Mr. Low, for having come this morning.

Mr. FLEMING: For having stepped into the breach on short notice.

The CHAIRMAN: I think that concludes the meetings at which evidence was to be received. There will be only one more meeting in order to try to reach an agreement on a report to be made on the work we have performed during the last twenty-three meetings. Five meetings dealt with the Auditor General's report so it leaves about twenty-two or twenty-three meetings in which we dealt with the estimates of the Department of National Defence. If you will agree we will assemble tonight at 7.30 and I shall have mimeographed copies of a tentative report. That report cannot be very committal because we cannot entirely complete our work, but on the other hand I think it is only fair to members of the committee that we state what we have done—even though we have not reached very strong conclusions.

With your permission, we will adjourn until tonight at 7.30 and in the meantime I wish to thank everyone—including the clerk of the committee—for his devotion, and the reporters for the accuracy of their work. I wish to thank the witnesses also for their assiduousness in attending with us at our meetings.

Mr. FLEMING: They missed all the fun in the House this morning by sitting up here.

The CHAIRMAN: Yes.

The committee adjourned.

APPENDIX A

CANADIAN COMMERCIAL CORPORATION

(Department of Trade and Commerce)

Minister of Trade and Commerce

Right Hon. C. D. HOWE

President:

M. W. MACKENZIE

Directors:

C. M. DRURY
H. B. MCKINNON
H. O. MORAN
S. D. PIERCE

L. P. SAINT AMOUR
C. STEIN
K. W. TAYLOR

Managing Director:

W. D. LOW

Assistant to Managing Director:

W. R. HARRIS

Secretary:

J. D. MCCARTHY

*Legal Officer:**Purchase Investigation*

E. S. HOARE

General Purchasing Agent:

W. J. ATKINSON

Assistant General Purchasing Agents:

C. B. DOHENY, W. DOVER
F. F. WADDELL

Comptroller:

G. F. WEVILL

Audit and Claims:

J. D. MANOR

Office Manager (Organization)

D. M. ERSKINE

Administration Officer:

E. A. ANNETTS

STANDING COMMITTEE

District Offices:

Newfoundland	Winnipeg
G. C. MANUEL	J. S. STEVENSON
Halifax	Regina
R. R. HUTTON	A. P. HESSEY
Quebec	Calgary
O. J. HANNON	F. HOPSON
Montreal	Edmonton
G. D. CUMMINGS	P. G. WYCKOFF
Ottawa	Vancouver
F. X. POWER	W. C. HERRIN
Toronto	Victoria
W. C. TURNBULL	W. E. WILFORD
London	Washington Office
A. R. M. STEWART	J. R. DOUGLAS
Supervisor of Western Offices	London (Eng.) Office
P. G. WYCKOFF	H. R. PATRICK

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